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Wickes buys 108-unit Grace West for $180M

By Brad Altman
NHCN staff editor

LOS ANGELES — Wickes Cos.' agreement to purchase 108 Western U.S. home centers from W.R. Grace for a reported $180 million gives Wickes the greatest number of stores by far in the hotly contested California market and increases its industry ranking to No. 2 in total sales from No. 4.

Wickes' purchase of 87-unit Grace Home Centers West headquartered in Diamond Bar, Calif., and 21-unit, San Jose-based Orchard Supply Hardware will close within 60 days of the May 5 agreement announcement, both sides said.

The Wickes-Grace deal caught many industry observers off guard. The companies held talks several months ago, however, at that time Grace wanted to sell its entire $2 billion retail division intact. In mid-April Grace announced that the package would be sold to a group headed by Harold Geneen, the former chairman of ITT.

Apparently that group ran into problems arranging financing. On Wednesday, April 30, Grace reportedly contacted Wickes chairman Sanford Sigoloff to resume negotiations.

"Our offer had been pending on the table since February and we had never removed it," said Wilhelm A. Mallory, Wickes executive vp and cfo. By the end of the weekend it was a done deal.

"It was pretty quick," said Mallory. "But keep in mind, as a company we were familiar with the stores due to their competitive locations with ours."

He added that "some of the stores, such as the Handy Dans in the Colorado market, we knew from our Daylin days." Mallory was vice president of Daylin and Sigoloff was chairman when Grace purchased the company in 1979. Now, in a twist, the men hold similar titles at Wickes and are buying back some of the stores.

Mallory noted that the purchase price was virtually the same as Wickes' original offer

(Continued on page 85)

Company bids for Homecrafters which faces Ch. 7

By Phillip M. Perry
NHCN staff editor

BIRMINGHAM, Ala. — Wickes Cos. offered to buy the troubled Homecrafters Warehouse chain late last month.

"We have made a firm and reasonable offer," said Wilhelm A. Mallory, senior executive vp for Wickes, the $2.8 billion parent company of Wickes Lumber and Builders Emporium. "We have a hope that we're dealing with a short time frame."

Another Wickes executive noted that the Homecrafters stores possess layout and size similar to those of Wickes Lumber, and that the store locations complement those of the acquiring company.

Although Wickes would not speculate on the cost of the acquisition, and its ramifications for the financial health of Wickes, Homecrafters does possess some $28 million worth of tax loss carry forwards that may be attractive to the West Coast firm. Last year, the utilization of tax loss carry forwards accounted for a little over one-third of Wickes' reported $76.1 million in net income.

(Continued on page 85)

Mr. HOW Warehouse to be sold piecemeal

By Donald Longo
NHCN staff editor

NASHVILLE — Service Merchandise will sell off its 27-unit Mr. HOW Warehouse home center chain market by market and has reached an agreement with a private company to sell its Mr. HOW stores in what Service chairman Raymond Zimmerman described as the chain's "biggest market."

Mr. HOW operates five stores in Chicago, four in Cincinatti and seven in Florida, its largest markets.

The announcements were made by Zimmerman at a shareholders' meeting April 23, said company spokesperson Jan Aggers. They coincided with the reporting of a $29.2 million first quarter loss and were followed, a day later, by the firing of some 35 people from Mr. HOW's 260-person headquarters in Margate, Fla.

Industry sources indicated that the Eau Claire, Wis.-based Menard Cashway chain

(Continued on page 85)

Service Merchandise will sell off its Mr. HOW units market by market according to Raymond Zimmerman, president of the chain. Pictured is the Virginia Beach, Va., store. NHCN photo

Lower floor of McCormick out for Aug. show

By an NHCN staff editor

CHICAGO — The 155,000-sq.-ft. lower floor of the McCormick Place Convention Center expansion has been dropped as exhibit space for the August National Hardware Show here.

In addition, it is still unknown whether there will be electricity or air-conditioning to light and cool the yet unfinished 379,000-sq.-ft. upper floor of McCormick Place North, or whether that area likewise will be dropped asthe 1986 convention site.

A decision whether to drop the entire McCormick Place North building and reassign lawn, garden, outdoor power and outdoor living vendors is expected to be made byJune 15 by the National Hardware Manufacturers Association (NHMA), the show sponsors, and Cahners Exposi-

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We're the
Problem
Solvers!

Liberty Distributors plans to roll out 20 to 25 of its new format stores by year's end. Pictured is the Minong, Wis., Trustworthy unit. NHCN photo

Liberty Dist. readies rollout of 'Problem Solver' store design

By Gary S. Ruderman
NHCN staff editor

DES PLAINES, Ill. — The metamorphosis of a cramped 4,000-sq.-ft. hardware store into a 15,000-sq.-ft. Trustworthy "Problem Solver" home center June 12 in Minong, Wis., signals an important new direction for the nation's largest wholesale buying group, Liberty Distributors, Inc.

Liberty's 23 distributor-members have lined up behind the "Problem Solver" approach, which debuted in September. They are now ready to rapidly roll out the program, which offers advertising, merchandising, store design and business planning support to qualified dealers.

In addition to Walker's Trustworthy Home Center in Minong, Wis., new "Problem Solver" stores will debut next month in Columbus, Ohio; Missoula, Mont.; and Portland, Me. By

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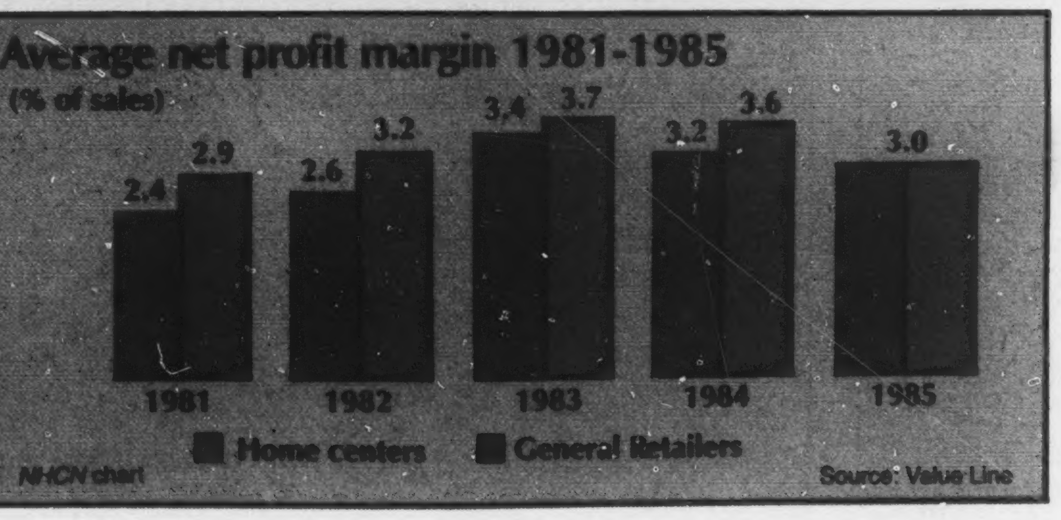


NEWSBREAKS

ERNST EXPANDS EXECUTIVE STAFF: Mike Baumann and Tim Lucia have joined Ernst Home Centers as vp-cfo and vp-marketing/advertising, respectively. Baumann was Mr. Goodbuys' cfo, while Lucia was an ad executive with Grace and Mr. HOW.

KINDT DEAL CLOSED: Wickes Lumber closed May 5 on its purchase of the fixed assets and inventory of nine Kindt Home Improvement Centers in Wisconsin. The Edward Hines Lumber Company of Chicago retains Kindt's accounts receivables.

Industry Update

Managerial changes for Michigan General

DALLAS — Michigan General has sent its corporate controller, George Kerkhove, to replace Jay Solow as vp-finance of Diamond Lumber here. In addition, Earl Christenson, who had been Diamond's vp-operations, has been reassigned as a district manager for the 96-unit chain's California area stores.

Rocco Barbieri, president of the New Jersey-based Michigan General (Diamond's parent company) said that he was unable to discuss the reasons for this recent management shakeup because Michigan is "under registration" for a stock rights offering it is making that requires Securities and Exchange Commmission approval.

Handyman lowers nationwide store count

TUCSON, Ariz. — Handyman is lowering its chainwide store count to 52 units with the closing of one of its two Tucson stores on May 16. The outlet and surrounding property were sold to a property investment group for more than $2 million.

The 40,000-sq.-ft. store, located on four acres at 302 South Wilmont Road, opened 10 years ago. Handyman continues to operate its remaining Tucson unit at 6230 North Oracle Road, a spokesman for the San Diego-based retailer said.

The buyers were identfied as Steve Soboroff and Martin Moskowitz of Santa Monica, Calif., and Bill Viner of Tucson. Their plans for the site were not revealed.

This past February, Kansas City-based Payless Cashways closed two Tucson, Ariz., stores as part of a market consolidation move. Payless now operates three stores in the Tucson market.

Mr. Goodbuys secures three new sites

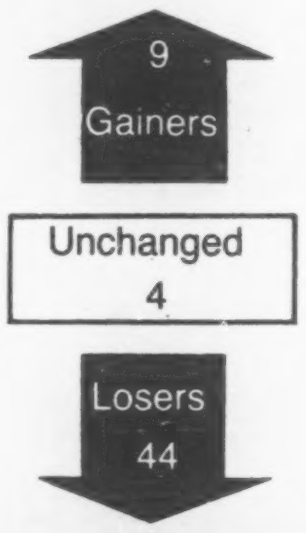
PHILADELPHIA — Mr. Goodbuys has secured three new sites in the Philadelphia/New Jersey area. Two of the second-use sites are in new markets for this nine-unit chain, in Trenton, N.J., and East Brunswick, N.J. The third is at Grand Ave., off Route 1 in the northern part of Philadelphia, and will be the fourth Mr. Goodbuys store in the Philadelphia market. The stores are scheduled to open within three months, although one may require major structural additions.

Late April home center stocks sputter

NEW YORK — Home center stocks sputtered in late April as losers outpaced gainers, 44 to 9, for the two-week period ended May 2. Four issues were unchanged.

National Lumber recorded the highest percentage gain, climbing 15.8% to $5.50. Other leading gainers were Michigan General, Wolohan Lumber, National Hardgoods and Handyman.

Among the leading losers were Manville Corp., which recently reshuffled its board of directors in seeking to gain approval of its reorganization plan; Homecrafters Warehouse, reportedly being wooed by Wickes Cos.; and Service Merchandise, which announced it is looking to sell its Mr. HOW Warehouse units.



See financial tables, page 84.

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Vol. 12, No. 11 May 19, 1986

Knox sells for $1.5 M less than original price due in part to market competition

By Laura Liebeck
NHCN staff editor

ST. PAUL, Minn. — Knox Lumber Co. was finally sold last month, but for $1.5 million less than originally intended, due in part to increased competition from other home improvement retailers in the Twin Cities area.

Effective April 23, Knox Lumber was sold to a group of investors headed by the Sterling Group of Houston, an investment banking firm, for $27.5 million plus the assumption of certain liabilities, including $7.3 million in long-term debt, according to its now-former parent, Southwest Forest Industries of Phoenix. About $22 million of the purchase price was paid in cash, with the balance in notes and preferred stock, according to Southwest Forest.

The terms of the original agreement, drafted last November, called for $29 million in cash at closing.

Security Pacific Business Credit of San Diego, which is part of Security Pacific Bank of Los Angeles, handled the financing.

The 10-unit retailer will continue operating the stores under the Knox Lumber name.

Knox posted 1985 sales of $117.9 million, revised from its previously announced $118.3 million. After-tax net income was $2.8 million, Southwest reported.

The price tag for the 10-unit Knox Lumber was "renegotiated [to be] more reflective of the company's worth," explained Frank Hevrdejs, president of the Sterling Group. He noted that a careful examination of the company and its competitive arena, which includes Menards and most recently Builders Square, helped to determine the sale price.

After the sale, Southwest Forest purchased 15% of the new company in common stock, 5% of which can be purchased back by the buyers in cash within the next five years.

The terms of the sale include keeping Knox president and ceo Richard Miller, in his current position. He did not, however, become an owner of the company, as outlined in the original agreement, Miller noted. Miller was also made a member of the Knox board of

(Continued on page 86)

Plywood Minnesota plans fall opening for eleventh unit, first in four years

By Gary S. Ruderman
NHCN staff editor

MINNEAPOLIS — Plywood Minnesota, the floor coverings, bath and kitchen specialty chain, is adding its first store in four years.

This fall the privately-held company will open its 11th location, a second 30,000-sq.-ft store in Indianapolis. It is the first opening since 1982 when a home improvement center opened in South Milwaukee.

Once a powerful chain of 59 stores in the Midwest, Plywood Minnesota ran into trouble after the departure of Rudy Boschwitz, who founded the chain in 1963. In 1978, Boschwitz was elected as Republican U.S. Senator from Minnesota.

"This year we'll open one or two new stores, and maybe one or two in 1987," said Gerry Boschwitz, son of the founder and vp of Plywood Minnesota. "We're just coming out of a difficult period and we're expanding on a careful pace, just as fast as our resources allow."

The new Indianapolis Drexel store is slated for a September 1 opening. Plywood Minnesota acquired the Drexel home improvement chain in 1980.

In 1981, facing mounting debts, Plywood Minnesota was forced to sell off its 42-store franchise division to a group of franchisees. Those stores, and four more purchased in 1982, formed the nucleus of FCS Distributors. Today FCS operates 43 The Floor To Ceiling Stores throughout in eight midwestern states. The remaining 17 Plywood Minnesota stores were sold in 1982 for the cost of inventory.

The sale was accomplished to pay off debts, according to Gerry Boschwitz.

Gerry Boschwitz, vp of Plywood Minnesota feels the chain is over its difficult period and is expanding as quickly as resources will allow. NHCN photo

The chain now operates four Plywood Minnesota stores in Minneapolis/St. Paul, one in Des Moines and a total of five Drexel stores in Milwaukee; Madison, Wis.; and Indianap-

(Continued on page 86)

P. F. O'Connor expands its existing market with purchase of Brewsters

By Elizabeth Brent
NHCN staff editor

BRAINTREE, Mass. — On April 26 P.F. O' Connor, the six-unit independent based here, purchased Brewsters, the Providence, R.I., chain, for an undisclosed amount.

"This is part of the company's continuing expansion campaign to further solidify our position as a leader in the industry," said Patrick O'Connor, president and owner.

With the acquisition, the company now operates 10 stores in five states and will open a build-to-suit unit in Mashpee, Mass., by late 1986. O' Connor expects the 10 stores to generate sales of almost $100 million by the end of the year, making it a major player in New England.

A "perfect marriage," is how the president describes the purchase of four-unit Brewsters. The company gains a partner that compliments its own strong builder trade and adds product lines and increased DIY business. The Providence, R.I., Brewsters store, for example, has 11,000 stock keeping units compared with the average 4,000 sku count for a P.F. O'Connor store.

Before the acquisition, P.F. O' Connor's stores were concentrated in southeast Massachusetts, with units in South Walpole, Middleboro, and Plymouth and one yard on Cape Cod at South Yarmouth. It also has a unit in Merrimack, N.H., and one in Vero Beach, Fla., trading under the name Century Lumber.

The purchase of Brewsters significantly expands its existing market by adding two

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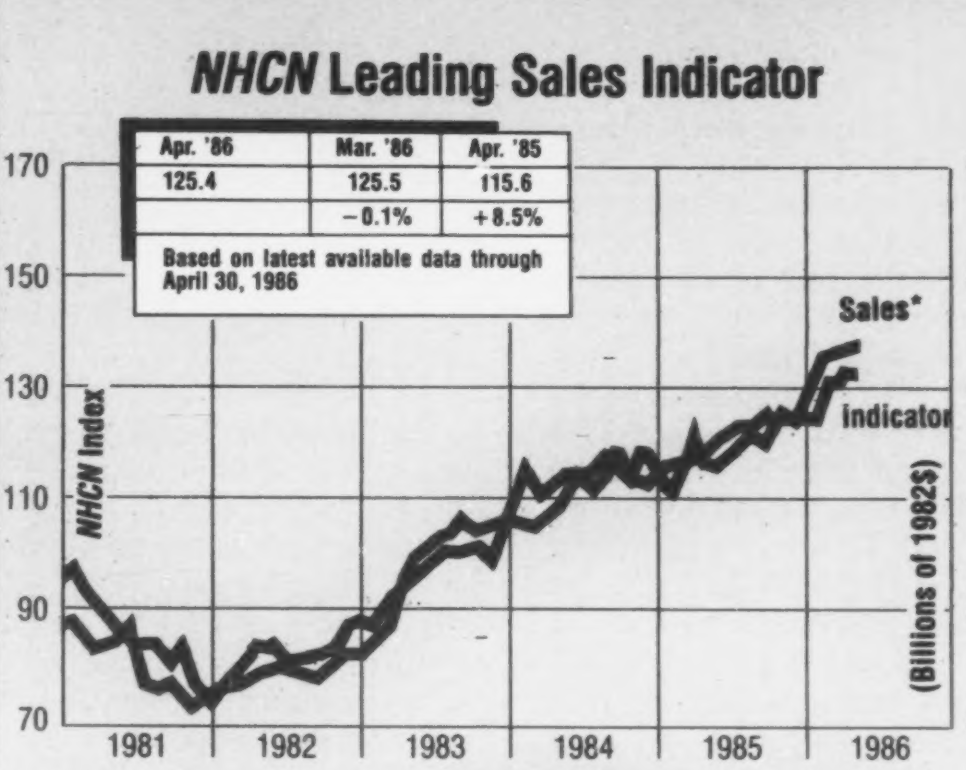

The NHCN Leading Indicator declined 0.1% in April to 125.4 due to the softness in single unit housing starts last November. Data available for May suggests an increase in the indicator to 128.3.

*—Monthly retail trade building materials and supplies in 1982$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

Building material and supply sales for 1986 to surpass forecast to a 13% gain

By Richard E. Mount
Special to NHCN

Building material and supply store sales will rise 13% this year, 10% after adjusting for inflation. The *NHCN* Leading Indicator has been revised and calls for stronger sales through the first half of the year. This outlook for building material sales is higher than the 10.5% increase that was forecast last month.

The fundamentals for building material demand support the 13% gain forecast by the *NHCN* Leading Indicator. Housing starts rose sharply in the first quarter of the year and the continued declines in mortgage rates will maintain a pace of 1.9 million starts into the summer. Single-unit starts will outperform the total as homeowners trade up in a declining mortgage rate market. The one sector of housing that may be weak is multi-units, which suffer from the highest vacancy rates in rental units since 1967. But, it is the single-unit sector that buys from retail outlets. Resales continue to run above 3.2 million units, and the economy remains strong—favorable indicators of future repair maintenance spending.

Richard E. Mount

New Leading Indicator

A new *NHCN* Leading Indicator was needed becuase of changes in the data. Since December of last year, there have been major revisions in building material retail sales, GNP, personal income, inflation indexes, housing starts and resales. These have caused the old indicator to become obsolete.

The new *NHCN* Leading

(Continued on page 5)

Home Center Industry—General Business Outlook

		1985				1986						
		1Q	2Q	3Q	4Q	1Q^p	2Q^p	3Q^p	4Q^p	1984	1985	1986^p
***NHCN* Leading Sales Indicator** (January 1980 = 100)		**113.7**	**116.0**	**121.0**	**123.4**	**124.7**	**127.9**	**131.7**	**134.7**	**113.2**	**118.5**	**129.8**
General Economic Outlook												
	GNP $1982 Billion	**3,547.8**	**3,557.4**	**3,584.1**	**3,590.8**	**3,619.2**	**3,637.5**	**3,675.7**	**3,721.7**	**3,774.7**	**3,570.0**	**3,663.5**
	Real Disposable income $1982 Bil.	2,482.7	2,532.2	2,503.1	2,517.1	2,551.7	2,575.0	2,593.6	2,617.5	2,468.4	2,508.8	2,584.5
	Housing Permits (000 SAAR)	1,667	1,731	1,762	1,741	1,852	1,800	1,825	1,790	1,682	1,739	1,772
	Housing Starts (000 SAAR)	1,761	1,743	1,687	1,773	1,993	1,850	1,875	1,850	1,750	1,742	1,892
	New Home Sales (000 SAAR)	668	681	711	696	783	760	750	720	639	686	753
	Resales (000 SAAR)	2,970	3,047	3,363	3,500	3,267	3,350	3,400	3,350	2,868	3,216	3,342
	Prime Rate %	10.5	10.2	9.5	9.5	9.4	8.6	8.0	8.0	12.0	9.9	8.5
	Mortgage Rate % (HUD)	13.0	12.9	12.1	11.8	10.8	10.3	9.9	10.3	13.8	12.5	10.3
	Consumer Price Index (1967 = 100)	317.8	321.1	323.0	326.5	327.7	327.2	329.4	331.9	311.1	322.1	329.1
	Producer Price Index (1967 = 100)	292.1	293.8	293.1	296.4	292.2	288.7	288.3	289.7	291.2	293.9	289.7
	New Housing Affordability 1980 = 100	113.7	112.6	119.3	119.3	129.3	133.9	137.9	134.2	102.2	116.2	133.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**84,900**	**70,400**	**70,575**	**72,928**	**75,498**	**77,773**	**80,356**	**82,801**	**69,784**	**74,701**	**79,107**
	Maintenance and Repair	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
	Additions and Alterations	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
	Major Replacements	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055
Constant	**Total Millions $1977 SAAR**	**49,739**	**40,975**	**40,670**	**41,610**	**42,650**	**43,500**	**44,500**	**45,400**	**41,134**	**43,249**	**44,013**
	Maintenance and Repair	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
	Additions and Alterations	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
	Major Replacements	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375
Retail Trade Activity												
Current	**Total $ Millions SAAR**	**1,337,312**	**1,369,400**	**1,399,296**	**1,388,316**	**1,402,764**	**1,432,096**	**1,475,125**	**1,507,719**	**1,293,062**	**1,373,941**	**1,454,426**
	Total Minus Automobile	1,038,196	1,055,360	1,066,248	1,082,244	1,088,034	1,114,147	1,140,673	1,168,728	1,014,528	1,061,148	1,127,896
	Building Material, Hardware, Garden Supply, Mobile Home	70,444	73,280	74,328	78,024	79,524	81,724	83,634	85,352	69,488	74,062	82,558
	Building Material and Supply	50,976	53,512	53,736	56,976	57,851	60,105	61,907	63,849	49,774	53,841	60,928
	Hardware	10,704	10,912	11,116	11,572	11,878	12,051	12,226	12,403	9,530	11,092	12,139
Constant	**Total Millions $1982 SAAR**	**1,255,292**	**1,279,412**	**1,307,324**	**1,286,256**	**1,296,000**	**1,131,000**	**1,336,000**	**1,352,000**	**1,227,825**	**1,282,071**	**1,323,500**
	Total Minus Automobile	982,208	993,124	1,003,052	1,007,676	1,010,000	1,024,000	1,038,000	1,053,000	968,351	996,515	1,031,250
	Building Material, Hardware, Garden Supply, Mobile Home	66,686	69,827	70,833	73,628	74,300	75,600	76,600	77,400	67,448	70,244	75,975
	Building Material and Supply	48,256	50,990	51,209	53,765	54,050	55,600	56,700	57,900	48,570	51,055	56,063
	Hardware	10,133	10,398	10,593	10,922	11,100	11,150	11,200	11,250	9,933	10,512	11,175
	Building Materials % of Total Less Automobile ($Current)	4.91	5.07	5.04	[illegible]	5.32	5.39	5.43	5.46	4.91	5.07	5.40

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
April 30, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Indicator forecasts stronger building material sales for first half of '86

(Continued from page 4)

Indicator is an improvement from the old. It has a better record for projecting building material and supply store sales. It gives an improved signal for future sales trends, leading sales by seven months while the prior index led by five.

The components of the new indicator are similar to the old. Resales remain a major factor for repair work and lead building material sales by nine months. Single-unit housing starts replace total starts and lead sales by five months. Single-unit starts may be more important for building material retail sales than multi-units, as a higher percentage of the materials for multi-units are purchased through the wholesale network or directly from manufacturers. Real personal income replaces real after-tax income. The prime rate continues to be a major negative factor for sales as remodeling loans are often benchmarked against it.

Graphically, the new indicator is presented differently. It will be plotted on the chart to indicate the future trend in building material sales. In the past, it showed how well it led turning points and periods of expansion.

Some of the data series on the General Business Outlook Table have been changed since last month. The major benchmark revision to GNP last December raised the level of personal income and altered the base yeear for inflation to 1982 from 1972. Retail sales were substantially revised during March and April of this year to incorporate the 1983 and 1984 Retail Trade Surveys. Hardware store sales were revised upward. Retail sales were updated with new seasonal features.

The price adjusted series for retail trade in the General Busines Outlook Table use unpublished price indexes from GNP. Real sales volume, now shown in 1982 dollars, is higher than the 1972 dollar pace shown in past reports. The data is reduced by the price increases that have occurred since 1982 rather than 1972.

Building material forecast

Building material sales will increase 13% this year, but not because of new leading indicators, changes in the base year for deflators or revisions to retail trade data. The four-year-old recovery in housing, resales in particular, has created a growing backlog of demand for remodeling activity. The economy remains strong, and declining interest rates, a falling value of the dollar and very low inflation will make it stronger throughout the year. It is the resulting gains in employment and income that will supply the buying power for the 13% rise in building material sales this year.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Handyman exhibits aggressive drive toward increased productivity & sales

By Phillip M. Perry
NHCN staff editor

SAN DIEGO, Calif. — When Handyman began life as a publicly-owned company precisely one year ago, some jaundiced observers wondered how well the company would do without its strong corporate parent, the $1 billion Edison Brothers of St. Louis.

With one year under its belt and its audited results now being scattered hither and yon in a colorful annual report released last month, few observers would deny Handyman has managed to confound many of its skeptics. At the same time, the company acknowledged that further steps must be taken to bolster profitability.

Net income for the year was clocked at $8.9 million, representing a 3.9% return on sales of $228 million. That's considerably better than last year's $6.2 million, which was only 2.3% of sales.

Yet, when gains from real estate sales are removed from the results, the picture is somewhat less rosy. The $4.3 million in operational earnings last year represents only 1.9% of sales, considerably less than the $8.8 million, or 3.3% of sales, clocked the year before.

The reasons aren't hard to fathom: More competing home centers popping up in southern California have placed more pressure on shelf prices, and have caused Handyman to spend more cash improving the quality of its store operations. Taken together, expenses for cost of goods sold and store operations came to 95.9% of total sales last year. That's up considerably from the 93.9% of 1984.

"My remarks about the competition make up one of the longest paragraphs in my letter to stockholders," said Harvey Rosen, Handyman's president, speaking a few days before the company's first annual meeting slated for May 5. "Over the past six months we've had half a million square feet of additional home center footage added to our market in the San Diego area." This additional selling space has come from two HomeClub's, three Home Depot's, and one National Lumber.

Given the impact competitive pricing has had on Handyman's operational bottom line, it's noteworthy that the onslaught isn't over. Rosen noted that HomeClub has threatened three more units for the area, and Home Depot may build two more.

While expenses related to competitive pricing and better operations have impacted the bottom line, it's also true that they have had a pronounced effect on the productivity of Handyman's stores—an effect that the company apparently feels will pay off in the long run. Sales at stores open longer than one year increased by 7.7% in 1985. That's a much better performance than the

(Continued on page 6)

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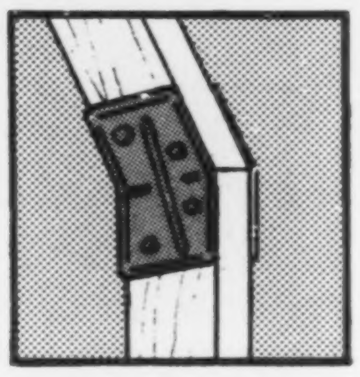

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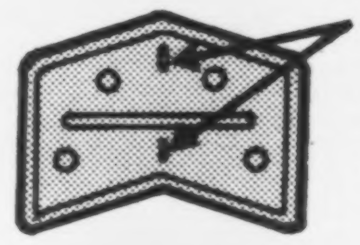

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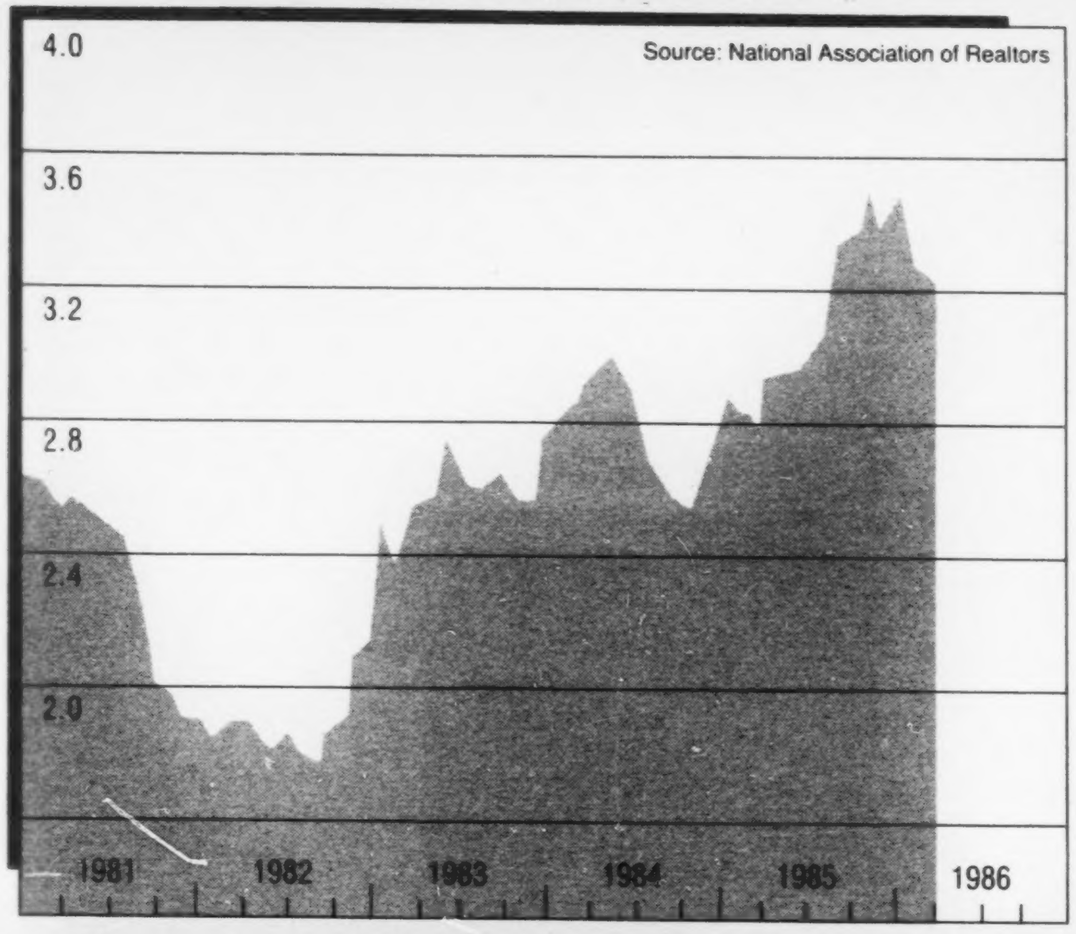
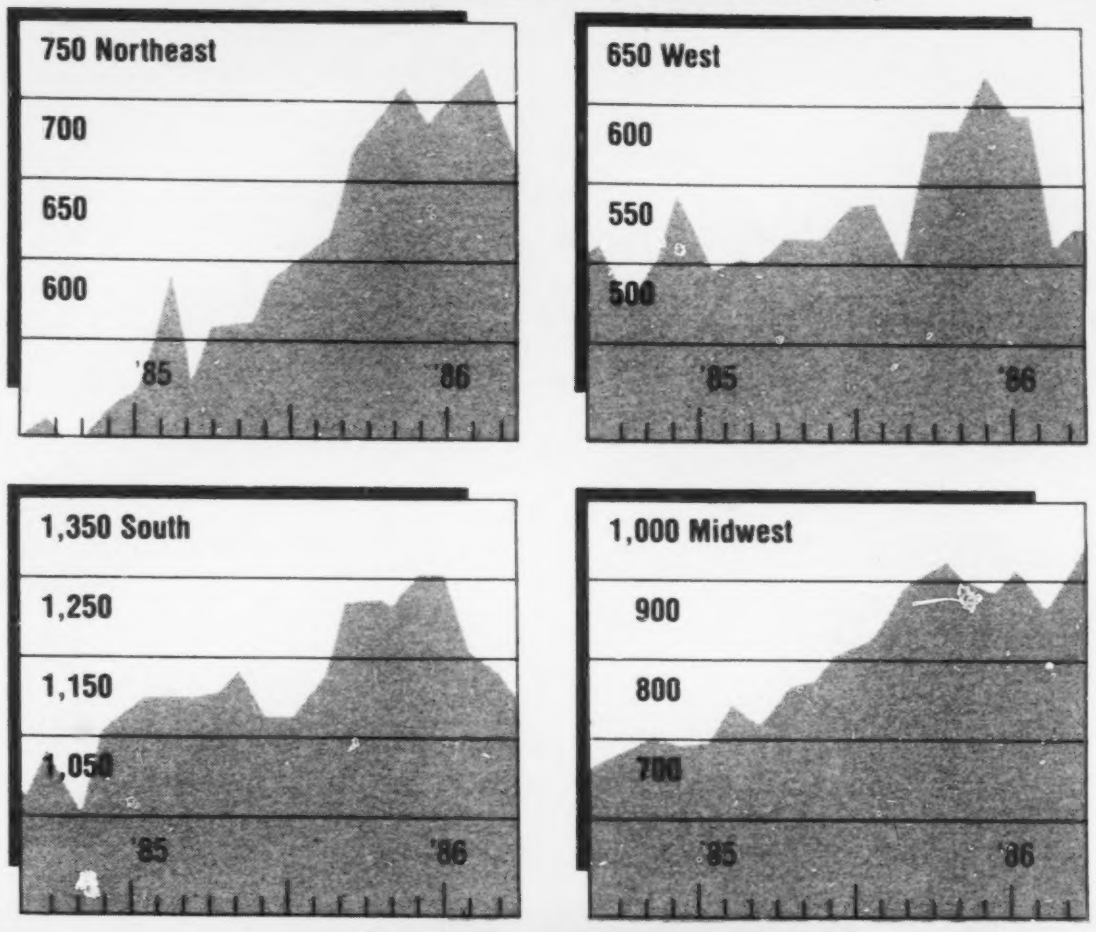
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Source: National Association of Realtors

Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



March housing sales pace declines 1.2%

NATIONAL REPORT — Although mortgage loans are now in the single digits and demand for housing remains strong, the sales pace for existing single-family homes fell 1.2% in March to a seasonally adjusted 3.23 million units, according to the National Association of Realtors (NAR).

Economists at the NAR attribute the decline to plummeting energy prices in the South that have weakened the housing market there, an easing of the boom sales pace in the Northeast, and heavy rains in the West.

Despite the small downturn, home resales in March marked the 12th consecutive month that activity has been above the 3-million-unit mark. They also were 7.7% above the sales pace recorded in March 1985.

Clark E. Wallace, president of the NAR, noted that sales of existing single-family homes should continue to strengthen this year making 1986 the best year for home resales since 1979. This year the NAR is projecting 3.54 million existing single-family homes will be sold, compared to the 3.12 million sold in 1985.

While the sales pace continues to strengthen, home prices are only expected to rise about 5%. In March, the median-priced single-family home was $80,000, 3.3% higher than the $77,400 posted in February

Median sales price
(in thousands of dollars)

	Mar.ᵖ	Feb.ʳ	Jan.	Dec.
U.S.	80.0	77.4	77.1	75.5
Northeast	101.3	96.4	97.8	93.7
South	80.7	76.6	76.2	74.1
Midwest	63.8	62.1	60.0	58.6
West	98.3	95.5	95.5	94.5

ᵖ-preliminary ʳ-revised

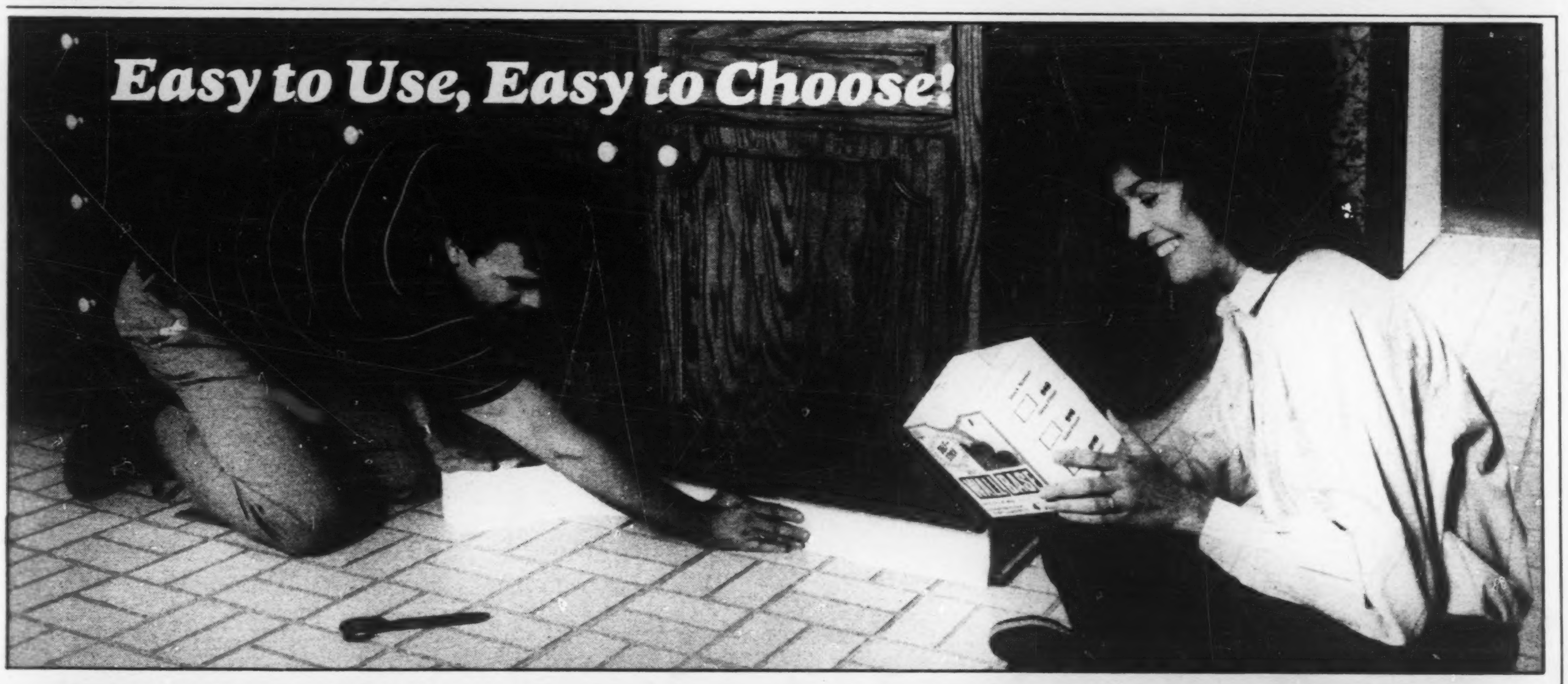
Sales of previously-occupied homes were strong in all four regions of the country, but the pace increased in only one area, the Midwest. Sales activity in the Midwest rose 3.2% above the February level, to 960,000 units, seasonally adjusted, 21.5% above the sales pace of the corresponding month one year ago.

The resale pace in the South lost the most ground of any region in March, down 5.2% to a seasonally adjusted annual rate of 1.09 million units. Sales activity in the 17-state region was also 2.7% below the 1.12 million-unit sales pace recorded in March 1985.

Despite this sales decline, home prices in the South continued to rise. In March, home prices of resale homes rose 5.3%, to $80,700, an increase of 8.5% from last March.

Home prices also rose in the Northeast. In addition to the 5% increase in the median home price, to $101,300, home prices in this region jumped 16.7% between March 1985 and March 1986.

March sales activity, however, dropped 3% in the Northeast, to 640,000 units, seasonally adjusted.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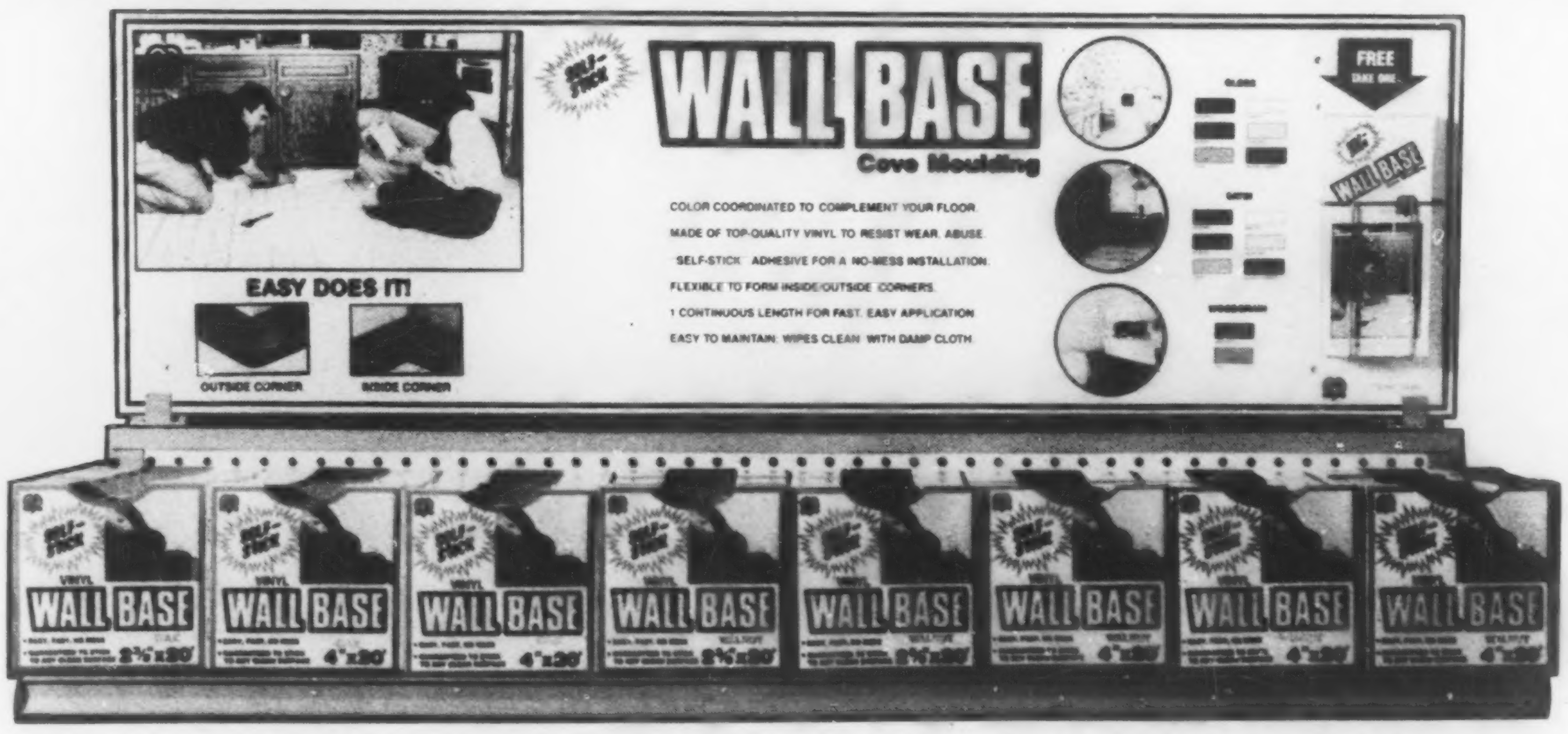
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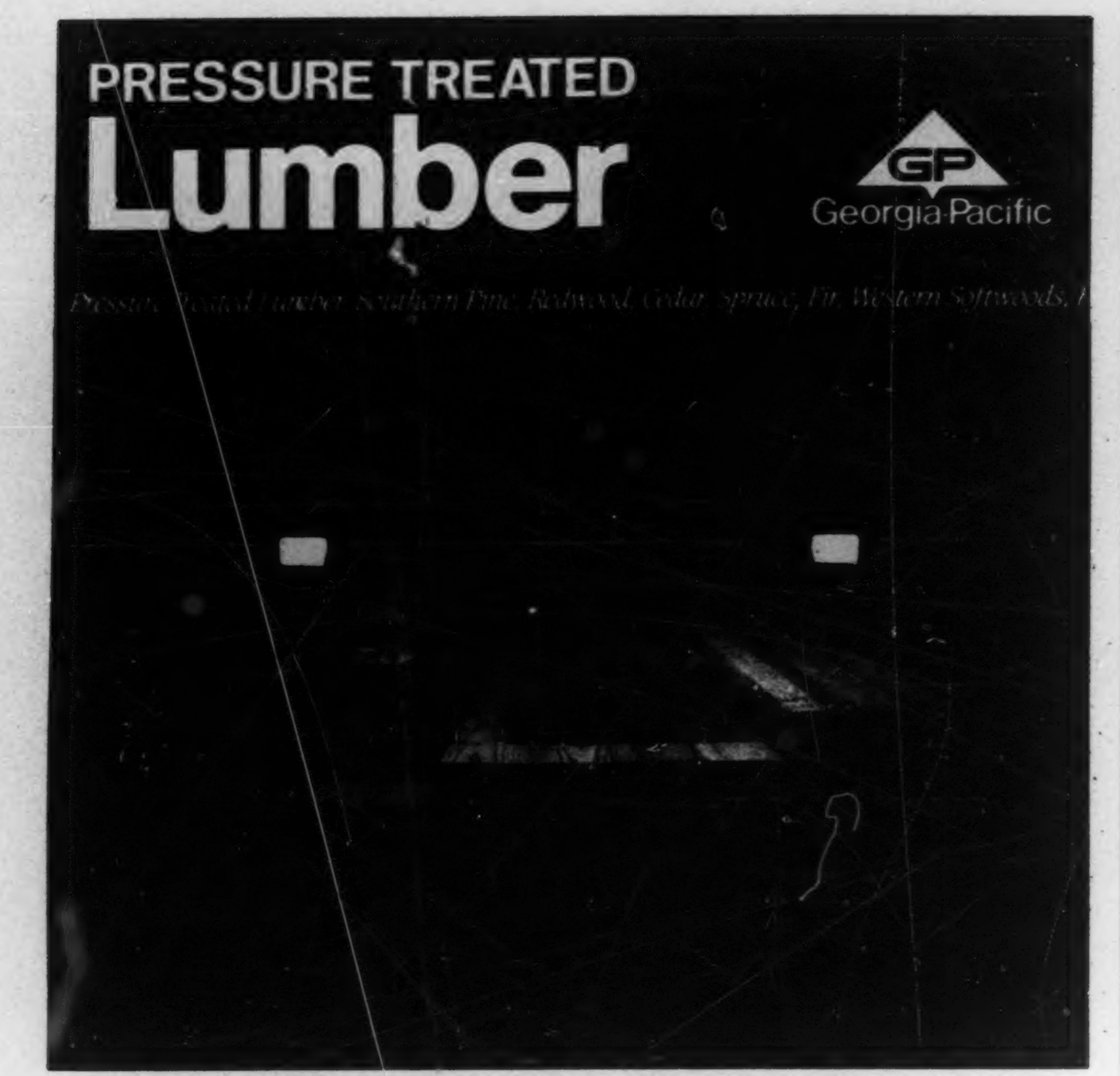
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LUMBER REPORT

Texas Lumbermen's meeting belies gloom & doom outlook

Dealers remain optimistic despite falling oil prices

By Milford Prewitt
NHCN staff editor

SAN ANTONIO — The 100th annual convention of the Lumbermen's Association of Texas (LAT), held here in April, reflected little evidence to support the doom and gloom business stories emanating these days from the major oil producing states.

The attitude of the lumbermen, which included a sprinkling of dealers from Oklahoma and Louisiana, resembled the famous disclaimer of Mark Twain who complained that news of his death had been "greatly exaggerated."

The general mood inside the Henry B. Gonzales Convention Hall, where 435 vendors displayed their wares, was one of optimism that the repercussions now being experienced from the downturn in the crude oil industry will be shortlived.

Many home center operators and lumber dealers admitted that first quarter sales and orders have suffered since crude oil prices began plummeting in late November. In fact, Ted Galbraith, vice president and district manager of 50-unit Foxworth-Galbraith, estimated that sales from company units in west Texas and the Texas panhandle—major oil producing areas—are off 30% to 50%.

Yet, dealers from both the professional and homeowner spheres of the business said they are staunching sales declines through new advertising tactics, vigorous policing of delinquent accounts and targeting on new homebuyers who are taking advantage of lower mortgage rates.

"You know, people can talk themselves right into a recession," said Galbraith, "But I don't think Texans feel that way.

"The reason for that is that the Texas economy is so diverse that you can't rely on one thing [industry] to succeed. In Dallas, we just got a $2.25 billion dollar defense contract for General Dynamics and Bell Helicopter so that's spending and there's still a lot of opportunity out there."

The resilience of the Texas economy was lauded by keynote speaker Clifford J. Crum, president and ceo of Temple-Inland, Inc., a new forest products company and former subsidiary of Time-Life, Inc. now based in in Diboll, Tex.

Crum, a former top executive with Time-Life and publisher of *Fortune* magazine, delivered a speech entitled, "Texas forest products business and $15 oil."

Pointing to the state's continued demand for skilled labor in medical research, space technology, electronics and defense, Crum said the growth of the Lone Star state is going to be less dependent on oil than it was in the past.

He argued that the falling strength of the dollar opening overseas markets, the accelerated growth of high-tech industries, the ability of first-time homebuyers to qualify for low-interest mortgages and Texas's below average age range demographically, will bode well for lumbermen.

"There will be some rough months ahead, as crude oil prices seek a true market price," Crum said. "We'll probably see the worse this year and it will be painful but not fatal.

"But we will still add 4 million people by 1990. We will be the second largest state in population and we will have a broader economic base."

The upbeat mood of Crum's theme was infectious.

Said Ray Nunn, who was installed as the new president of the LAT, "We're celebrating our 100th year and this is the largest crowd we have ever seen and that does not speak too badly.

"If the economy in Texas is so bad that it's about to fall off the cliff, why are there so many people here?"

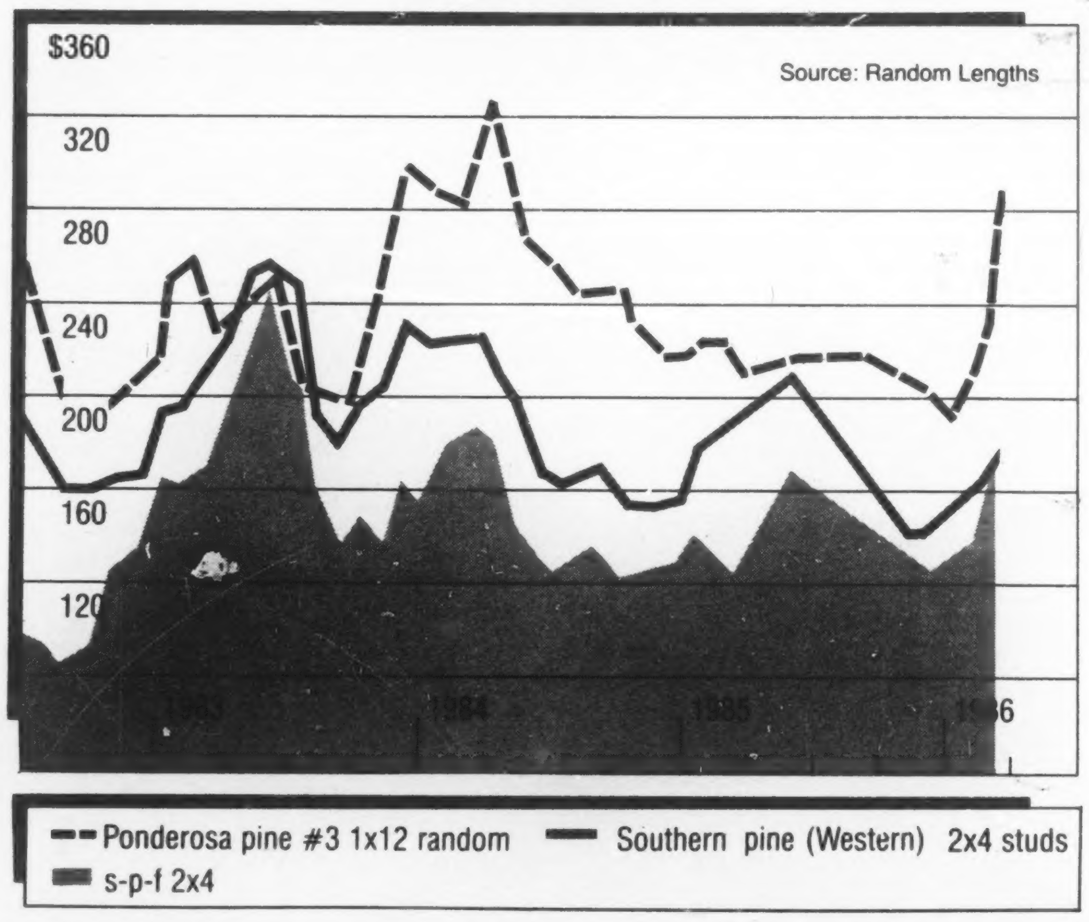
He added that despite the shakeout in the Texas economy from oil-related enterprises, lumber and building material dealers took the necessary steps to streamline and operate efficiently more than a year ago.

He further argued that the Texas building material industry suffered its turbulence a year and a half to two years ago when Boise-Cascade, Walker-Kurth and several small operators abandoned the Houston market during

(Continued on page 83)

Commodity close-up

Studs and Boards
Average mill monthly prices



Studs and boards ended the first quarter at price points above the highest levels reached in 1985 when heavy futures trading and mill orders drove up demand. Ponderosa pine #1x12 random jumped $30 from February to a March average of $294 per thousand board feet. KD Southern pine (Western) 2x4 studs rose to $201 per thousand board feet while KD western s-p-f climbed to $180.

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Two weeks ended April 24, 1986

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
May '86	179.50	169.00	175.10	175.10	2,081	197.00	140.00
July	175.10	165.80	172.20	170.00	3,966	190.90	144.00
Sept.	170.00	162.40	166.90	167.30	1,206	182.40	145.50
Nov.	164.50	157.50	161.60	161.20	1,022	174.50	146.00
Jan. '87	166.50	161.00	165.00	163.50	179	175.00	150.00
March	168.00	162.40	166.00	165.50	161	175.50	153.00
May	167.00	161.00	163.00	164.10	23	173.00	160.00

Total Vol. (Through 4/24): 31,124 **Previous Two Weeks: 24,865**
Total Open Interest (As of 4/24): 8,638 **Previous Week: 9,012**
Cash Price: $184.24 **Last Week: $196.96** **Year Ago: $147.00**

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, April 24.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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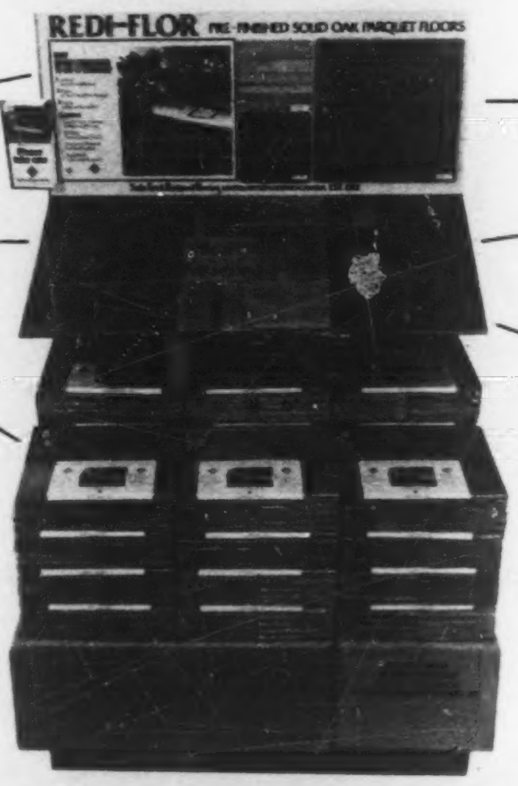

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National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry

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home centers

Home center sales, earnings outpace general retailers

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — By the time 1985 drew to a close, two major general merchandise retailers with strong financial resources had made strong commitments to the home center industry. K mart, which late in 1984 purchased Home Centers of America and renamed it Builders Square, had rolled out a total of 30 units. And late in 1985, Zayre purchased the 18-unit HomeClub, then announced intentions to roll out the chain nationwide.

Taken together, K mart and Zayre had total revenues last year of $26.5 billion, some 25% higher than total sales of the top 150 home center operations. Given the profitability problems experienced by the big home center outfits in 1985, one might well ask why retailing giants are coveting home center assets—especially given the unhappy experience of W.R. Grace.

Historically, home centers have performaned well in comparison with general retailers. That suggests that still more outsiders may be attracted to the field, accelerating consolidation in the industry.

Sales, for example, have been expanding far more rapidly for building materials retailers than for general retailers.

Building materials sales totalled $64.9 billion in 1985, according to data collected by the U.S. Commerce Department. That's a 7.8% rise over the previous year, and a 132% rise since 1976. For general retailers, where 1985 revenues topped $1.4 billion, comparable rises were only 6.3% and 109%.

In terms of the major capitalized companies, sales increases are even more disparate. Total sales of over three dozen general retailers tracked by Value Line, the New York investment research outfit, increased by 14% last year over 1984. For the five home center corporations tracked by the same service, however, total sales increased by 26% last year.

While such performance may attract more retailers to the field, there is a more somber side to the 1985 results. Such rapid sales increases reflect the fact that the home center chains included in the Value Line aggregate—Lowe's, Payless Cashways, Home Depot, Hechinger, Scotty's and Pay 'N Pak—are all dedicated to the home center field. In contrast, the top 10 home center chains on this year's *NHCN* census report increased their sales by only 11% last year, a rate under that of the major capitalized general retailers. The reason—which may be a sobering one for outsiders looking to muscle into the field—is the fact that three of the worst performers in that list are companies diversified beyond the home center field. Those companies are W.R.Grace, Wickes Cos., and Evans Products.

While general retailers with lots of capital may realize they face a tough battle in tackling the specific skills needed to punch up market share in the home center field, there is no doubt that the bottom line profitability of building materials retailers is yet another attraction that general retailers may find it difficult to resist. For the past five years running, net profit margins for home center companies tracked by Value Line have been higher than for general retailers. Only in 1985, when aggressive plans by home center companies stumbled against a more relaxed consumer buying patterns, did the pattern change.

Given the depressed performance of home center chains in 1985, it may be that general retailers have a lesson to teach the home center companies. In 1984, spurred on by a 50% increase in earnings the previous year, the three dozen general retailers tracked by Value Line increased their store counts by 11%, to a total of 27,585 units. In 1984, profits rose by only 2%, largely because of the overexpansion. With the sobering earnings results in evidence, the retailers cut their store expansion rate in 1985 to only 4%, to see their profits rebound by 9%.

Admittedly, rapid store expansion can have a more serious effect for general retailers, with their more mature sales envionment and slimmer net margins, than for home centers. Value Line estimated that same-store sales generated by general retailers increased by less than 3% last year. For 10 retail chains dedicated to the home improvement products, same store sales increased by some 5.1% last year (See chart).

Even so, with earnings results far more dismal than anyone would have predicted a year ago, home centers may need to cut back on expansion. Some major hitters, such as The Home Depot and Mr. HOW Warehouse, have already announced a slow down in store expansion plans. Others, if the pattern from the general retailing world holds true, may have to do the same.

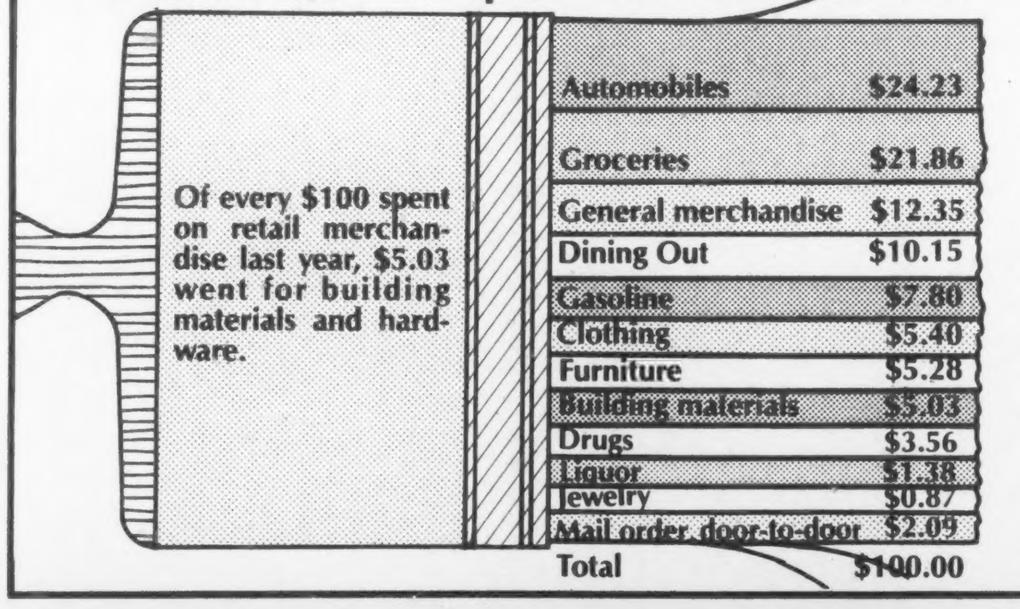
Whether 1985's earnings results were a one-time aberration, or whether they represent premature aging in the industry, remains to be seen. But many observers point to the still hefty diversification in the industry as compared with the general retailing environment, as evidence there is still room to maneuver.

"This is still a highly fragmented industry," said David Stanley, president of Payless Cashways, the $1.4 billion home center company.

Such activity is in contrast, noted Stanley, to the discount store industry.

Stanley doesn't see the home center industry maturing to where the discount industry is now until the turn of the century at least. Stanley estimated it takes about $300 million to $500 million to buy a point of market share. Few if any of the big companies would be willing to spend over $3 billion in the next 10 years to buy 10 points of share, Stanley postulated.

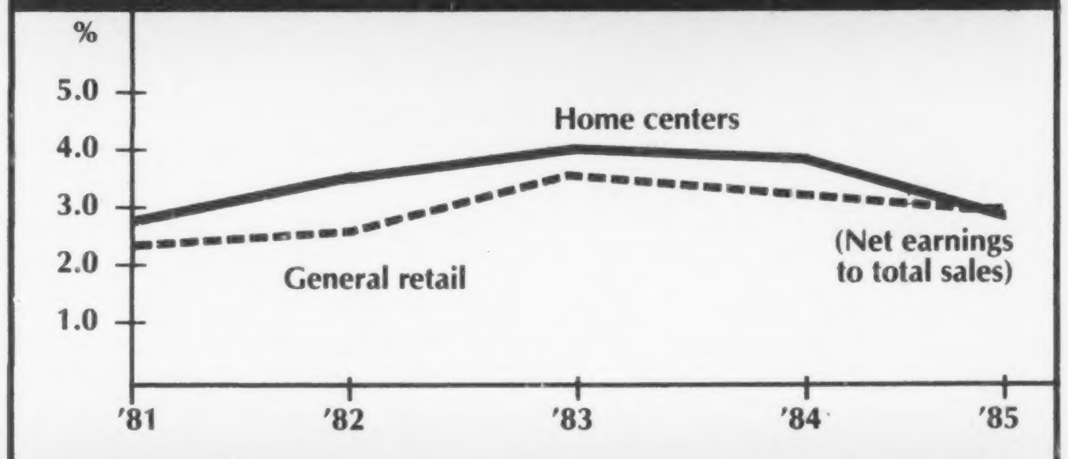
Where consumers spent their money in 1985



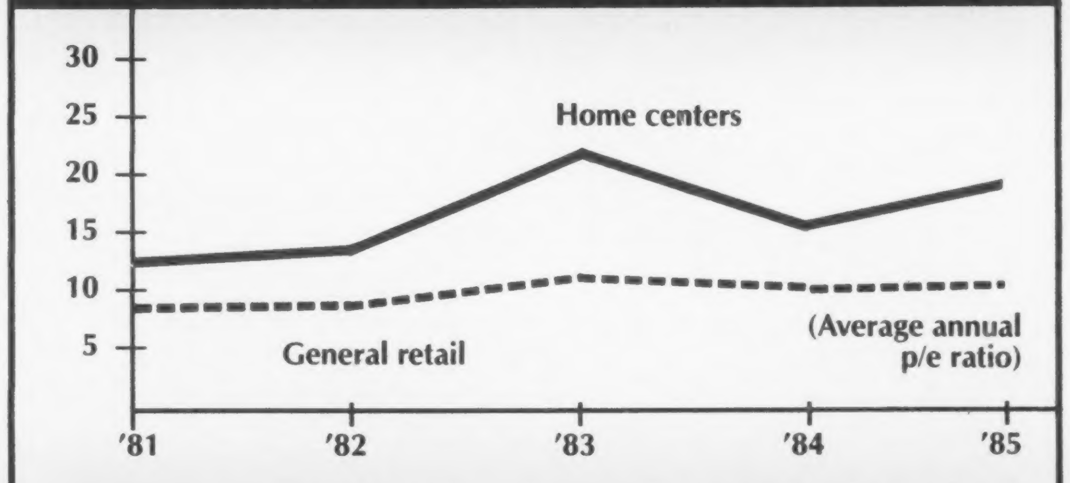
NHCN chart

Source: U.S. Department of Commerce

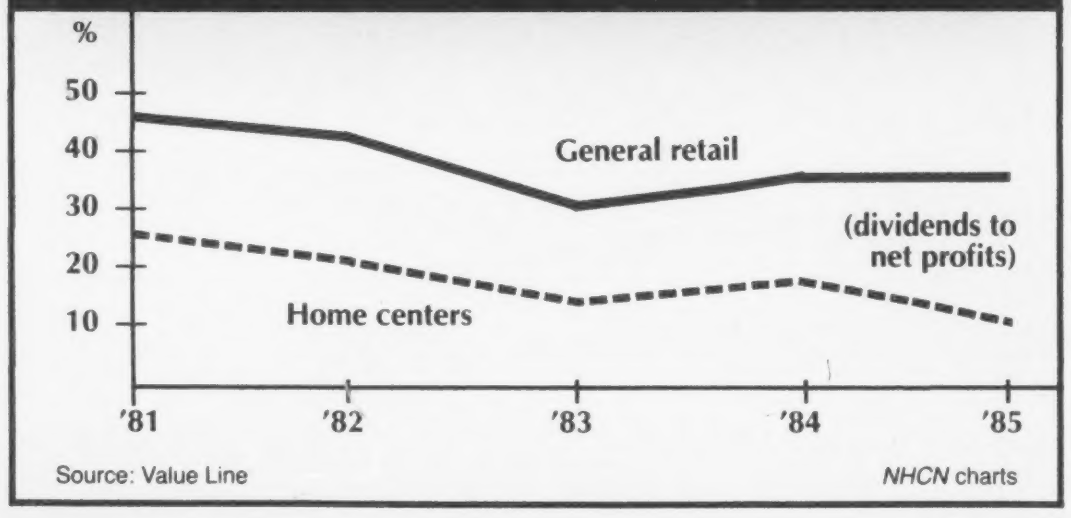
Home centers have reported greater profit margins than general retailers . . .



. . . so that public confidence in the industry's future earnings has kept the stock prices high . . .



. . . despite the fact that home centers have paid out fewer dividends.



Source: Value Line

NHCN charts

Performance Analysis 1985

Source: Company reports.

NHCN charts

	Fourth Quarter Ending 1-31-86					Year Ending 1-31-86				
	Same Store Sales (%)	Total Sales ($)	Change From Prior Period (%)	Earnings ($)	Change From Prior Period (%)	Same Store Sales (%)	Total Sales ($)	Change From Prior Period (%)	Earnings ($)	Change From Prior Period (%)
Color Tile	3.0	87.2	4.7	3.2	– 4.9	1.7	370.7	19.6	13.7	1.0
Hechinger	– 2.0	116.8	14.0	6.6	8.0	5.0	479.0	18.0	23.1	10.0
Handyman	10.6	53.8	8.2	2.8	180.0	7.7	228.1	–15.0	8.9	43.8
The Home Depot	2.3	203.7	73.5	2.6	– 28.0	2.1	700.7	61.9	8.2	–42.0
Lowe's	13.0	475.6	26.5	11.3	7.7	10.0	2,073.6	23.0	59.7	– 3.0
Pay 'N Pak	4.0	86.0	5.4	1.8	– 34.0	4.7	320.3	7.8	8.1	–27.6
Payless Cashways	5.4	378.9	14.5	11.1	17.1	5.0	1,389.7	18.0	38.1	3.0
Scotty's	5.2	120.6	10.0	2.8	– 20.0	3.5	473.0	8.0	16.1	–12.8
Standard Brands Paint	– 5.7	71.5	1.1	1.6	– 64.1	3.3	338.0	7.3	15.8	–23.9
Wolohan Lumber	3.0	37.4	3.5	1.3	55.9	8.4	150.7	8.0	3.5	33.0
Average	3.9	—	16.1	—	11.8	5.1	—	15.7	—	– 2.1
Totals		1,631.5		45.1			6,523.8		195.2	

For most of the companies, data is for the 12-month period ending around Jan. 31. The 12-month period ended on Dec. 31 for Color Tile, Handyman and Scotty's. The period ended around Nov. 30 for Payless Cashways and Pay 'N Pak.

While same-store sales for 1985 increased by an average of 5.1% for 10 dedicated home improvement merchandisers, earnings actually declined an average of 2.1%.

Suppliers see slimmer profits, slower '85 sales growth

By Donald Longo
NHCN staff editor

NATIONAL REPORT — For the companies that supply merchandise to the home center industry, 1985 was characterized by slower sales growth and slimmer profits, in part due to overcapacity in many product categories, price pressure from retailers and continued loss of market share to imports.

The slowdown in sales growth experienced by the nation's largest home center chains—the top 100 retailers (*NHCN*, May 5) posted sales increases of just 11%, compared to the 18% increase they recorded in 1984—was reflected in even more modest 1985 sales gains for their suppliers.

"In the third consecutive year of expanding construction markets, growth was becoming harder to sustain," said George A. Christie, vice president and chief economist for McGraw-Hill Information Systems, which publishes the widely known *Dodge Reports* on construction activity. "Although building products manufacturers reported record sales in 1985, they showed only a 4% improvement over the previous banner year."

Industry giants like Georgia-Pacific and PPG Industries reported relatively flat corporate sales growth in 1985. Others like Weyerhaeuser, National Gypsum, and American Standard experienced a decline in sales.

Some companies were victims of their past success. The Stanley Works had the highest sales in its history last year, but total revenues were up a modest 4.3%.

Meanwhile, earnings took a beating at several leading manufacturers.

Profits slump for suppliers

Some of the casualties were Louisiana-Pacific (wood products) which took a nearly 40% decline in net income last year; Emhart (adhesives and hardware), which experienced an 11.5% drop in earnings; and paint manufacturers DeSoto Paint (the main supplier of Sears' private label paint) and Insilco (which makes the Enterprise, BPS, Magicolor and Red Devil brands), which saw profits fall more than 20%.

Many manufacturers "were caught in a situation where demand did not equal supply," noted Barbara Alexander, a vice president at Salomon Brothers, the New York investment banker.

Weakness from overproduction

Executives whose companies are in the wood products, hardware, tool, and paint industries acknowledged varying degrees of overcapacity in their product lines. Timber companies closed plants and laid off workers, as did hardlines makers Black & Decker and Vermont American.

"World-wide oversupply in our export lines, coupled with the strength of the dollar, caused market share and price problems," reported George Weyerhaeuser, president and chief executive officer, in his annual message to Weyerhaeuser Company shareholders. Sales of $5.2 billion were 6.2% below the previous year's revenues and earnings of $200.1 million represented an 11.5% decline for the Tacoma, Wash., forest products company.

Dealer pressures affect profits

Several manufacturing executives pointed to the negative effect that prices at retail had on their business. "On average, the industry reduced prices between 5% and 7% to the first [retail] purchaser," said Fred Franklin, marketing manager/residential roofing for Owens-Corning Fiberglas. With that loss in price, the manufacturing side of the business was "not so pleasant," said Franklin.

"Retailers' pricing patterns made it more difficult for manufacturers in 1985," added Alexander, of Salomon Brothers. "Manufacturers had to price [their products] lower."

Profit erosion ran deep in the paint category as retailers footballed the price of a gallon of one national brand paint, Glidden, to as low as $1.97 in one market.

And, with intense competition among suppliers also depressing prices, "profit margins [for building products

(Continued on page 26)

Top building material companies post healthy sales & earnings gains

By an NHCN staff editor

NATIONAL REPORT — The year 1985 was far from gloomy for building materials companies, which generally performed better than home improvement manufacturers in other product categories.

Insulated somewhat from competition from imports because freight costs are so high for heavy materials like wallboard, building materials manufacturers registered sales gains as high as 9%, and earnings increases as high as 23%.

"Gypsum and drywall manufacturers did well because capacity was restrained," said Salomon Brothers analyst Barbara Alexander.

The nation's largest producer of gypsum products, U.S. Gypsum in Chicago had another strong year in 1985. Sales were up 9% to $2.53 billion and net income climbed nearly 20% to $223.8 million. "The increase in sales from 1984 to 1985 was less than the increase from 1983 to 1984," noted USG spokesman Paul Colletti. "A lot of building materials companies hit bottom in 1982, and rode the cycle back up again in 1983 and 1984."

While USG purchased the assets of Conway Corporation's ceiling products business last year, the company's main segments continued to be its gypsum board (USG purchased Masonite in 1984), wood fiber and particleboard.

(Continued on page 26)

The Top Public Building Materials Companies

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Owens-Corning	$3,305.0	9.4	131.2	15.2	4.42	14.2
USG	2,526.5	9.0	223.8	19.9	6.71	19.0
Jim Walter (Celotex)	2,292.3	1.5	111.7	15.2	5.11	14.8
Manville Corp.	1,941.8	7.0	− 45.1	—	−2.92	—
National Gypsum*	1,340.0	−22.0	116.1	8.7	5.02	9.6
CertainTeed	1,109.7	− 6.7	53.4	22.8	2.73	25.8

*Currently the target of a takeover attempt by the Wickes Cos.
Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

Lumber industry faces continuing retrenchment in '85

By an NHCN staff editor

NATIONAL REPORT — The year 1985 was a year of further retrenchment for most of the wood products industry, despite the pickup in housing starts, declining mortgage interest rates and a generally robust economy.

Overcapacity, caused by overly optimistic suppliers reopening marginal plants too quickly, and growing Canadian imports, resulted in a collapse of lumber prices, which didn't begin to rebound until earlier this year. According to Value Line, the New York investment research firm, the paper and forest products industry totaled sales of $64 billion in 1985, just a 4.5% increase over the previous year. Net profits, according to composite statistics compiled by Value Line, were up just 1.9%, to $2.9 billion. And, net profit margin fell from 4.6% in 1984 to 4.5% last year.

Highly-diversified Georgia-Pacific, which is the largest plywood supplier and ranks second among dimensional lumber, hardwood, and particleboard producers, reported flat overall sales. G-P's improved earnings figure looks better on paper than actual reported operating profits from continuing operations. Net income from its continuing building products and pulp/paper operations fell from $253 million in 1984 to $207 million in 1985. Its building products operations only grew just 0.4% to $4.5 billion in sales with operating profits of $391 million, a 3.2% increase over the previous year.

Early in 1985, G-P agreed to sell or trade 134,000 acres of timberlands in the West, over a three-year period.

Weyerhaeuser's building materials segment totalled sales of $2.8 billion in 1985, about 2% less than in the previous year. Approximate earnings of the building materials segment, which restructured its solid wood sales marketing group last June, plunged 30% to $215.8 million. During the year, Weyerhaeuser aquired the assets of GardenAmerica Supply, a major distributor of garden supplies and landscaping equipment.

Weyerhaeuser also sold off several of its retailing interests, including Everitt Lumber and Dixieline Lumber, as did Boise Cascade. Southwest Forest Industries spent a good portion of the year looking for a buyer for its Knox Lumber chain (a deal that was finalized last month).

Champion International, Louisiana-Pacific and Potlatch all closed plants last year. Champion's building materials segment, the third largest supplier of softwood, plywood and lumber in the industry, contributed $1.5 billion, or 26%, of the company's total sales last year. The previous year that segment totalled $1.8 billion, or 36% of total sales. In July, Champion's distribution network was spun off in a leveraged buyout by Champion executives who formed a new company called U.S. Plywood.

In other manufacturer-related industry news early this year, Ply-Gem, the decorative panel maker, agreed to acquire Allied Plywood Corp. for about $8 million in stock. Allied is a distributor of hardwood plywood and specialty wood products.

The Top Public Wood Products Companies

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Georgia Pacific	$6,716.0	0.5	187.0	57.0	1.61	66.0
Champion International	5,769.8	12.7	163.1	NE	1.59	NE
Weyerhaeuser	5,205.6	− 6.2	200.1	−11.5	1.32	13.2
Boise Cascade	3,737.2	− 2.1	104.3	49.9	3.45	54.7
Louisiana Pacific	1,260.9	2.5	25.5	−39.6	0.70	−41.2
Potlatch	950.3	− 4.4	37.7	−24.0	2.19	−21.8
SW Forest Industries	700.1	− 9.9	− 12.3	—	−1.67	—
Pope & Talbot	325.2	1.6	6.7	NE	1.11	NE
Triangle Pacific	263.9	− 2.5	15.2	11.8	3.82	15.8
Ply-Gem	166.5	3.5	4.2	− 6.7	0.66	−18.5

Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

Slower sales growth, slimmer profits mark suppliers '85

(Continued from page 24)

manufacturers] were squeezed from an average of 4.2% of sales in 1984 to 3.7% last year, leaving industry-wide profits 4% below the 1984 record," according to Christie at McGraw-Hill.

Higher-end items promoted to boost profits

An *NHCN* survey of the top public manufacturing companies uncovered several exceptions to that trend: Among the best earnings performers were Boise Cascade, up 49.9%; Masco, up 41.9%; Newell, up 33.1%; The Cooper Group, up 26%; and CertainTeed, up 22.8%.

One way manufacturers attempted to shore up their margin erosion was to market products with more profit potential. Hardware manufacturers pushed higher-end, higher-quality products with a decorative flair.

Frank Tooke, marketing vp for The Cooper Group, noted his company's efforts toward the higher-end of the tool market. He said that programs developed specifically for the home center industry had begun to take hold last year.

Building materials producers also took a shot at the high road. Paneling suppliers met last April to revitalize their sagging category and launched a cooperative marketing effort to court the female shopper and push higher-end decorative panels.

Even roofing, long thought of as a bland, basic commodity became more decorative. O-C, G-P, CertainTeed, Manville and Celotex increased their offerings in the more decorative, architectural types of roofing being found at a greater number of homes, both for remodeling and new construction. Said Franklin of O-C, "Higher-end roofing offers profit opportunities that the [basic] three-tab squares don't."

Import invasion still a factor

Despite these efforts at improving the quality of their product, American manufacturers couldn't completely stem the rising flood of imports.

They didn't need any further impetus, but imports benefitted greatly throughout 1985 by the strong U. S. dollar. Canadian lumber, which in 1979 accounted for 28% of the U. S. softwood lumber market, was up to over a third of the total domestic market.

Where formerly they were most prevalent in the low-end, promotional lines of the hardware and tools categories, imports began to make a splash in the middle to high-end lines. Manufacturers in the Orient, South American and Europe proved they could make quality merchandise at competitive prices to American-made products.

In reaction, many home improvement manufacturers began concerted efforts to hold the line against further market erosion by imports through improvements in their research, product design, manufacturing and distribution systems.

Top building material firms record gains

(Continued from page 24)

For Owens-Corning, the country's largest building materials manufacturer, total sales were up 9.4% and earnings rose 15.2% in 1985. Bob Shern, manager of O-C's residential insulation distribution marketing division, told *NHCN* that sales for new construction and attic reinsulation were flat in 1985; while repair and remodeling sales to both commercial and residential markets were up from the previous year.

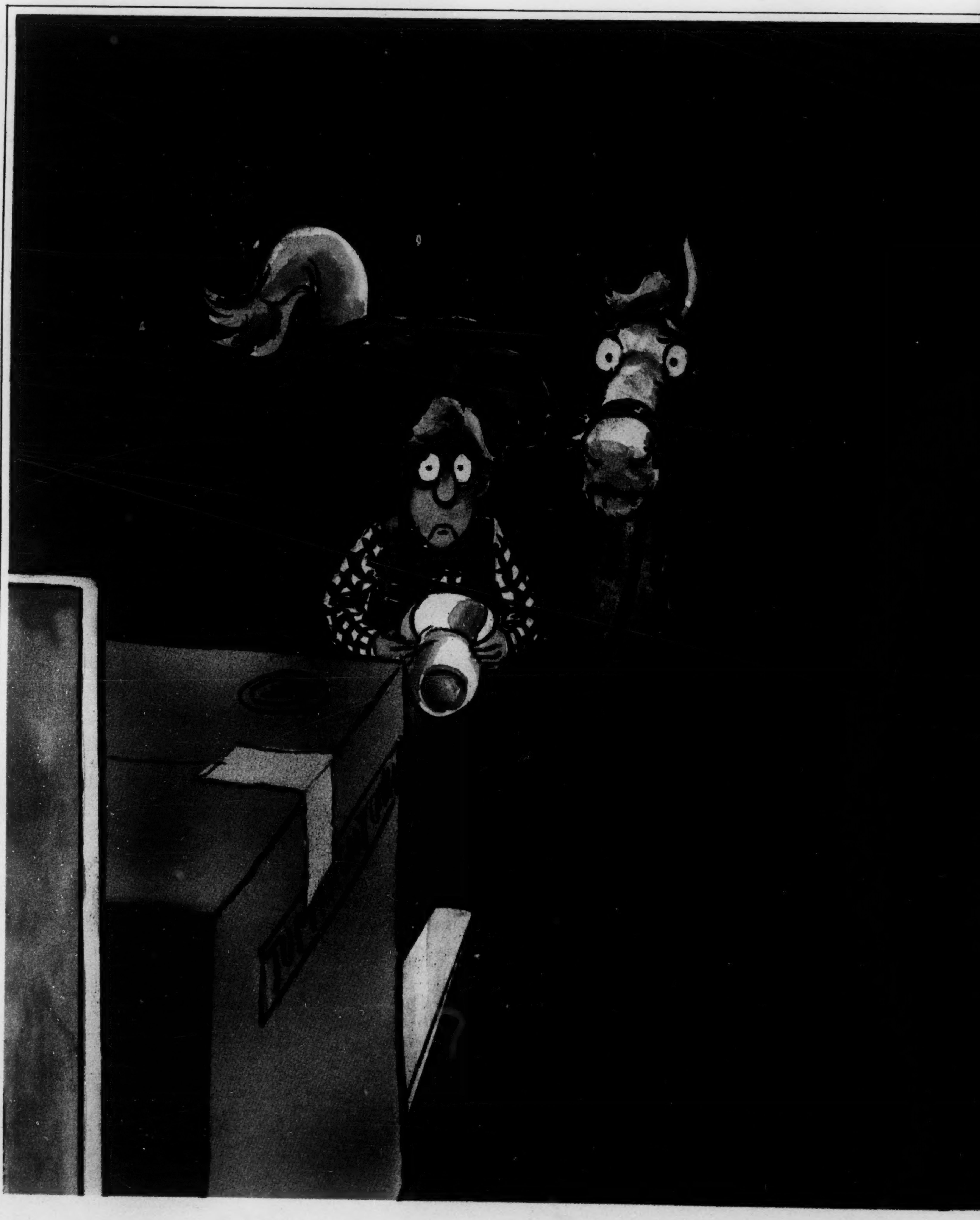
O-C's residential and commercial roofing division saw unit sales fall just short of 1984's record-high levels, according to an executive at the company's residential roofing division.

Jim Walter Corporation, which constructs, sells and finances shell homes in the South and Southwest, also produces a broad line of building materials including hardboard siding, fiberboard and plastic foam insulation, gypsum wallboard and roofing. Its Celotex operation is among the top four producers in the roofing market. Corporate sales were up slightly to nearly $2.3 billion, while earnings grew 15.2% to $111.7 million.

Manville Corp. was the only major building materials company to report negative earnings last year. But, the company at least appears ready to emerge from its Chapter 11 difficulties after agreeing to set up trust funds to pay off asbestos-related law suits now and in the future.

The nation's second largest gypsum producer, National Gypsum, is currently involved in a tug-of-war between current management—which is attempting to take the company private in a leveraged buyout—and Wickes Cos., which recently raised its bid in an unfriendly takeover attempt.

CertainTeed ended 1985 with a decrease in sales but an increase in profits, according to Value Line, the New York investment research firm.



Consolidation runs rampant in hardlines industry

Top Public Hardware, Tool & Plumbing Manufacturers

	Sales (in mil)	% change	Earnings (in mil)	% change	E.P.S.	% change
Cooper Industries	$3,067.2	51.0	135.1	26.0	2.79	31.0
American Standard	2,912.0	− 9.4	122.0	6.2	3.10	1.0
Emhart	1,775.0	− 1.1	80.0	−11.5	2.90	−11.3
Black & Decker	1,732.3	13.0	−158.4	—	−3.11	—
Stanley Works	1,208.3	4.3	78.3	8.1	2.85	9.6
Masco	1,154.0	13.2	164.5	41.9	2.56	28.0
Newell	350.0	13.5	18.9	33.1	2.09	29.0
Vermont American	2,912.0	− 9.4	122.0	6.2	3.10	1.0
Clopay Corp.	139.2	3.9	− 1.9	—	−1.24	—

Figures represent total corporate results; many companies' product lines overlap into other product categories
E.P.S.—Earnings per share
NE—Negative earnings invalidate calculations
Source: Media General Financial Services; company reports

By an NHCN staff editor

NATIONAL REPORT — Consolidation and restructuring ran rampant last year among hardlines manufacturers, who reported widely varied financial results for fiscal 1985.

Cooper Industries and Stanley Works are the two biggest producers of hand tools for the home improvement market. Cooper, a diversified manufacturer with three major segments—electrical and electronic products, commercial and industrial products, and compression and drilling products—reported total sales of over $3 billion last year, a 51% increase. Earnings rose 26% to $135.1 million. The company's investment of $30 million for capital expenditures in its commercial and industrial products group, which includes its hardware and hand tool sales, appeared to pay off. That division recorded sales of $927 million, up 58%, and operating income of $134 million, up 36%.

Don Molchan, Stanley's vp-sales, called 1985 one of the company's better sales years, and "one of our very best in profits." He attributed the results—sales were up 4.3% and earnings rose 8.1%—partially to the company's strong sales and marketing effort, which included a $60 million TV campaign.

> *Don Molchan, Stanley's vp-sales, called 1985 one of the company's better sales years, and 'one of our very best in profits.'*

Early this year, Stanley agreed to buy the Bostitch division of Textron Inc. for $193 million. Bostitch makes professional quality fasteners and fastening tools.

Black & Decker, which lost $158.4 million last year, restructured its management under new ceo Nolan Archibald, brought in the president of one of its competitors, Skil Corp., to head its consumer power tool group, and made reductions in its managment, inventory and plants.

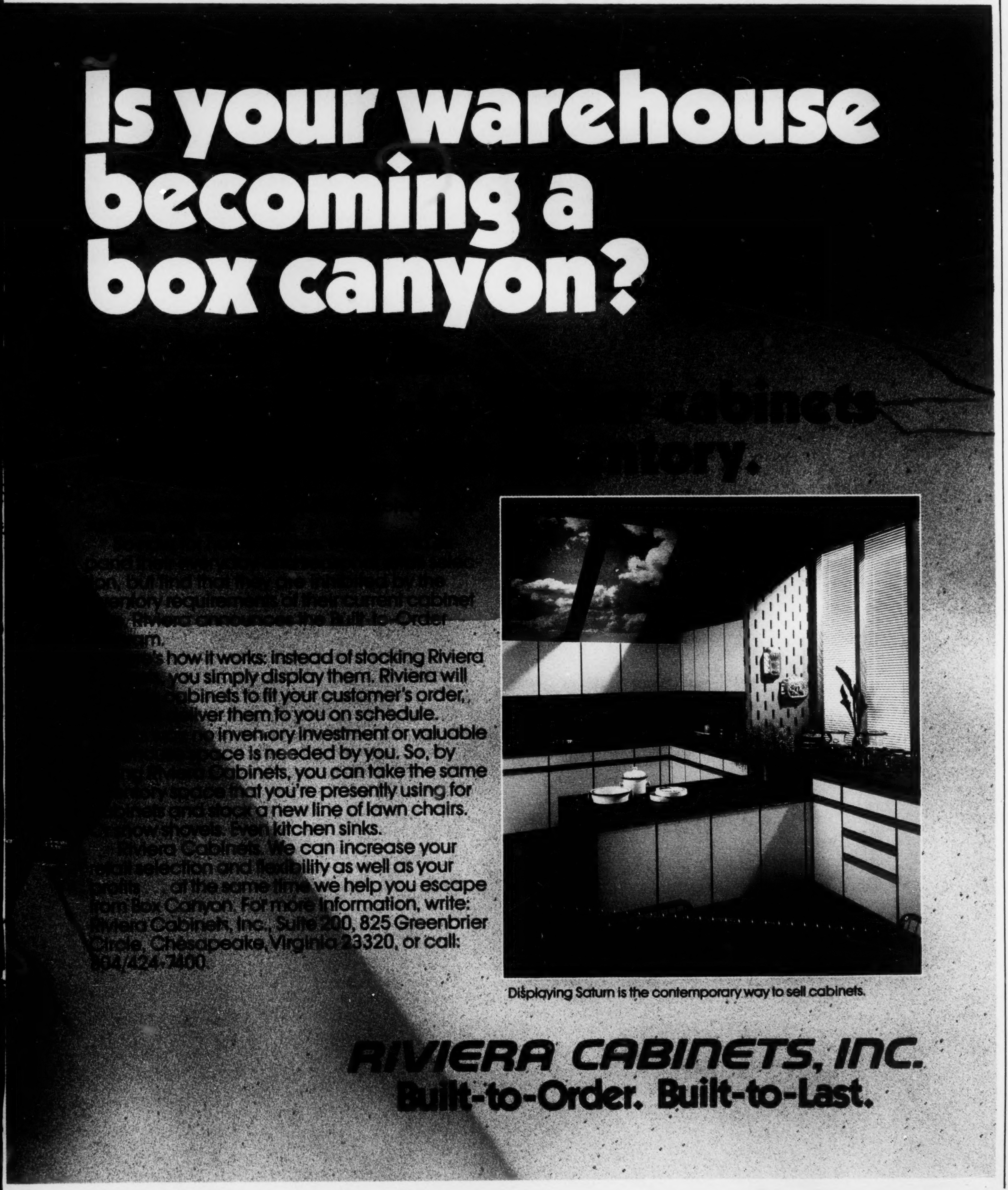
Emhart Corp., which in September acquired the True Temper division of Allegheny International in order to penetrate the consumer lawn and garden tool area, experienced an 11.5% decline in earnings last year.

Newell, a much smaller company than the aforementioned giants, parlayed its aggressive home center orientation into a $13.5% sales gain and 33.1% climb in profits last year.

Vermont American, which experienced excess capacity and declining demand for power tool accessories, restructured last year as earnings plummetted 72.8%.

In plumbing, Masco was by far the leading performer with a 41.9% increase in profits. During the year, Masco, which makes faucets under the Delta, Delex, Peerless and Deltique labels, acquired NI Industries, whose divisions include Thermador and Weiser Lock; and Merrilat, the nation's second largest kitchen cabinet maker.

By contrast, American Standard, which generally targets itself more toward the new construction market than Masco, reported a 9.4% sales decline. However, overall profits were up, 6.2%.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Displaying Saturn is the contemporary way to sell cabinets.

Home centers pick up paint market share, not profit

By an NHCN staff editor

NATIONAL REPORT — Home centers managed to grab a bigger slice of the retail paint market pie in 1985, much to the dismay of paint advertising leaders Sears and Standard Brands.

Despite combined paint-related advertising totaling approximately $17 million by Sears and Standard Brands, Sears reportedly lost paint-related market share to home centers for the first time.

Promotion was the name of the game in 1985. Paint was one of the most footballed items in home centers. One of the most dramatic examples of price-slashing took place in Houston, where Builders Square sold Glidden Spread Satin paint for $1.97 a gallon from its regular $9.22 price. In response, The Home Depot offered to rebate Houston consumers the full purchase price of up to four gallons of the same brand (*NHCN*, Nov. 18, 1986).

Pricing battles appear to be stimulated by fickle consumer buying habits in the paint category. A study conducted for *NHCN* showed that as many as 40% of consumers are dissatisfied with the paint they buy.

In its 1985 bottom Line study of the industry, the National Retail Hardware Association said that home centers' paint sales per square foot in the 1985 study dropped to $129.37 compared with $131.07 per square foot in the 1984 study. Turnover of paint—sales to inventory ratio—in home centers gained slightly to 6.6 times annually, and gross margin return on inventory rose slightly in 1985 to 2.48 from the prior year's 2.14.

Lumberyards had a lower paint turnover rate in their stores compared with home centers—an average of 4.5 times in 1985. These stores sold paint products at a substantially lower margin than home centers—30.8%, according to the NRHA study.

Paint & Home Decorating: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	129.37	131.07	37.5	36.1	6.6x	5.9x	2.48	2.14
Lumber/building material outlets **	174.12	168.93	30.8	31.6	4.5x	3.8x	1.34	1.21
Hardware stores	124.60	86.92	37.6	39.8	4.2x	3.9x	1.57	1.55

HOUSE PAINT
PAINT
Wall Paint
HOUSE PAINT

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Analysis section draws from three recent reports

By an NHCN staff editor

INDIANAPOLIS — The figures on departmental contribution and productivity used in the product category analysis section of this year's *NHCN* Annual Report on the Home Center Industry come from three recently-released reports from the National Retail Hardware Association.

The 1985 Bottom Line for Home Centers presents financial operating data for home centers, defined by the NRHA's Home Center Institute as retail outlets that carry the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials. Additionally, by the NRHA's definition, home center operations are geared to generate annual sales in excess of $1 million at maturity.

Per store net sales for home centers surveyed in this year's Bottom Line report averaged $2,875,479. These respondents reported a 12.12% increase in sales. Gross margin was 27.59% compared to 31.53% the previous year. Average stock turns showed an increase over 1983 from 3.89 turns to 4.83. Operating income dropped slightly from 4.38% to 3.27% of sales.

The home center operations surveyed averaged 33,478 sq. ft., with 17,163 sq. ft. of selling area.

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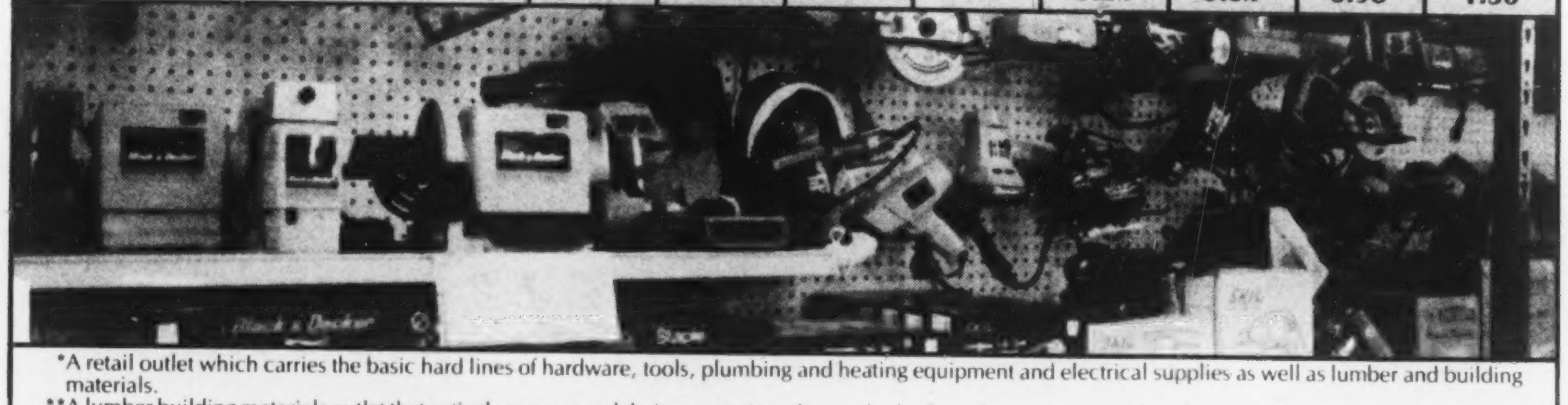
Power Tools & accessories: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	136.48	154.59	31.1	35.2	5.3x	3.9x	1.65	1.36
Lumber/building material outlets **	144.61	125.14	25.4	28.3	3.8x	4.0x	0.94	1.13
Hardware stores	104.13	79.01	30.7	34.3	3.2x	3.8x	0.98	1.30



*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Quality and assortment highlight tool sales in '85

By an NHCN staff editor

NATIONAL REPORT — Acquisitions and corporate restructuring highlighted 1985 for a number of major tool manufacturers.

While suppliers sorted things out, home center retailers were found to be carrying a broader assortment of tools in their stores, with the emphasis being placed on better quality, even from imports.

As has been the case for the past few years, home center tool departments outperformed those of hardware stores and lumberyards in terms of turnover, return on investment and, in most cases, profitability.

Competition forces restructuring

There was considerable corporate shakeout in the hand and power tool industry last year, stimulated in part by the intense competition among suppliers for dealer business.

The most highly-publicized restructuring occurred at Black & Decker, which lost $158 million in 1985. The company pared management, inventory and plant in an effort to cut its expenses and improve its services to dealers.

The company also hired George Sherman away from its chief competitor, Skil Corp., to head up its consumer power tool group; and Nolan Archibald away from Beatrice Cos. to become B&D's new ceo.

However, B&D wasn't the only company reforming itself. Vermont American also engaged in a restructuring campaign last year. And Easco Corp. went through 1985 trying to unload its hand tool division, a sale has been on-again, off-again for months.

Consolidation activity strong

Suppliers were trimming their sails to become stronger in the home improvement market. But some companies also sought to expand their market positions through mergers and acquisitions.

Emhart Corp. spent around $110 million to acquire True Temper Co. from Allegheny International, giving Emhart immediate access into the lawn and garden tool arena.

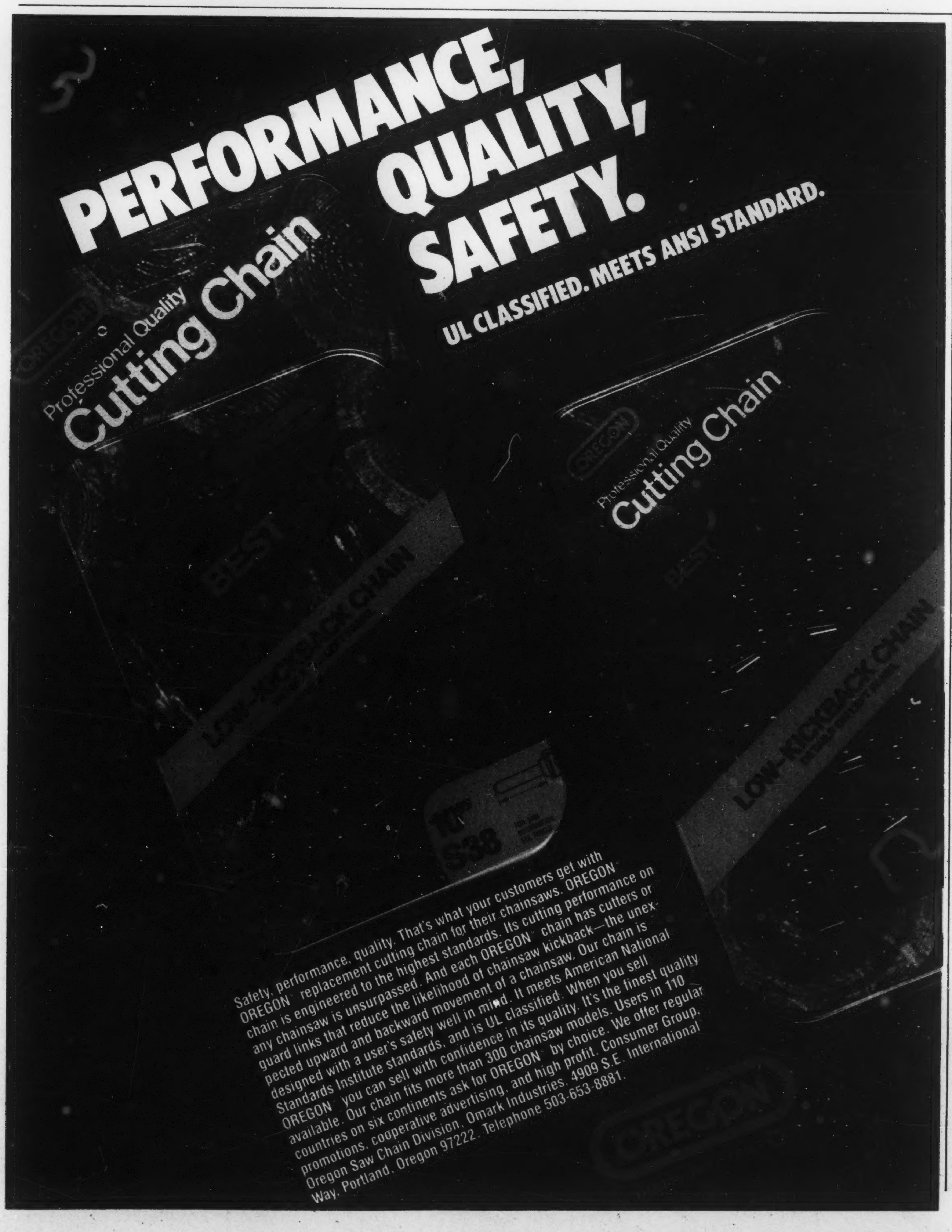
SK Tool Co. in Chicago merged with J.H. Williams Industrial Products late last year, then itself was acquired by Facom, one of the largest tool makers in France. This gave Facom entree into the U.S. market, and will allow SK to add to its product assortment.

Eariler this year, Stanley bought the Bostitch fastener of Textron, Inc. for $196 million, and Peugeot, the French saw maker, in early March concurrent to the International Hardware Fair in Cologne, West Germany. Donald Davis, Stanley's chairman, said the company is also looking to step up its acquisition efforts.

Dealers want better quality

In 1985, dealers enjoyed healthy sales gains in hand and power tools, but many complained that the categories were becoming a bit stale, with little innovation in new products or packaging emerging from their suppliers.

But there were a few items that caught the fancy of dealers and consumers. As was the case with table saws a few years ago, cordless power



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Hand Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	125.75	131.40	35.6	36.0	4.9x	4.0x	1.74	1.38
Lumber/building material outlets **	143.07	134.79	31.4	31.4	4.0x	3.6x	1.22	1.12
Hardware stores	121.24	77.88	37.5	37.2	3.9x	3.8x	1.47	1.41

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Fierce competition forces changes in tool industry

(Continued from page 30)

tools were a hit with consumers and dealers in 1985. Skil, Makita, Hitachi, Milwaukee Tool, Amercep and Black & Decker all introduced a wider assortment of cordless tools.

Makita, in fact, went one step further and brought out its new Home T.E.C.H. line, aimed more specifically at the consumer than to contractors.

Along with the popularity of cordless tools, quality played a key role in dealers' tool buying last year. This was especially true with imported merchandise, as home center retailers were paying much closer attention to what they were purchasing from the Orient, Latin and South America, and Europe.

Tools more profitable home centers

Quality will continue to be an important element in the merchandising of tools by home centers, as many chains and independents look to improve their gross margins and sales in these categories.

Last year, it appeared that home centers, vis-a-vis hardware stores and DIY lumberyards, got the most out of their tool departments, according to research done on these three types of retail stores by the National Retail Hardware Association (NRHA).

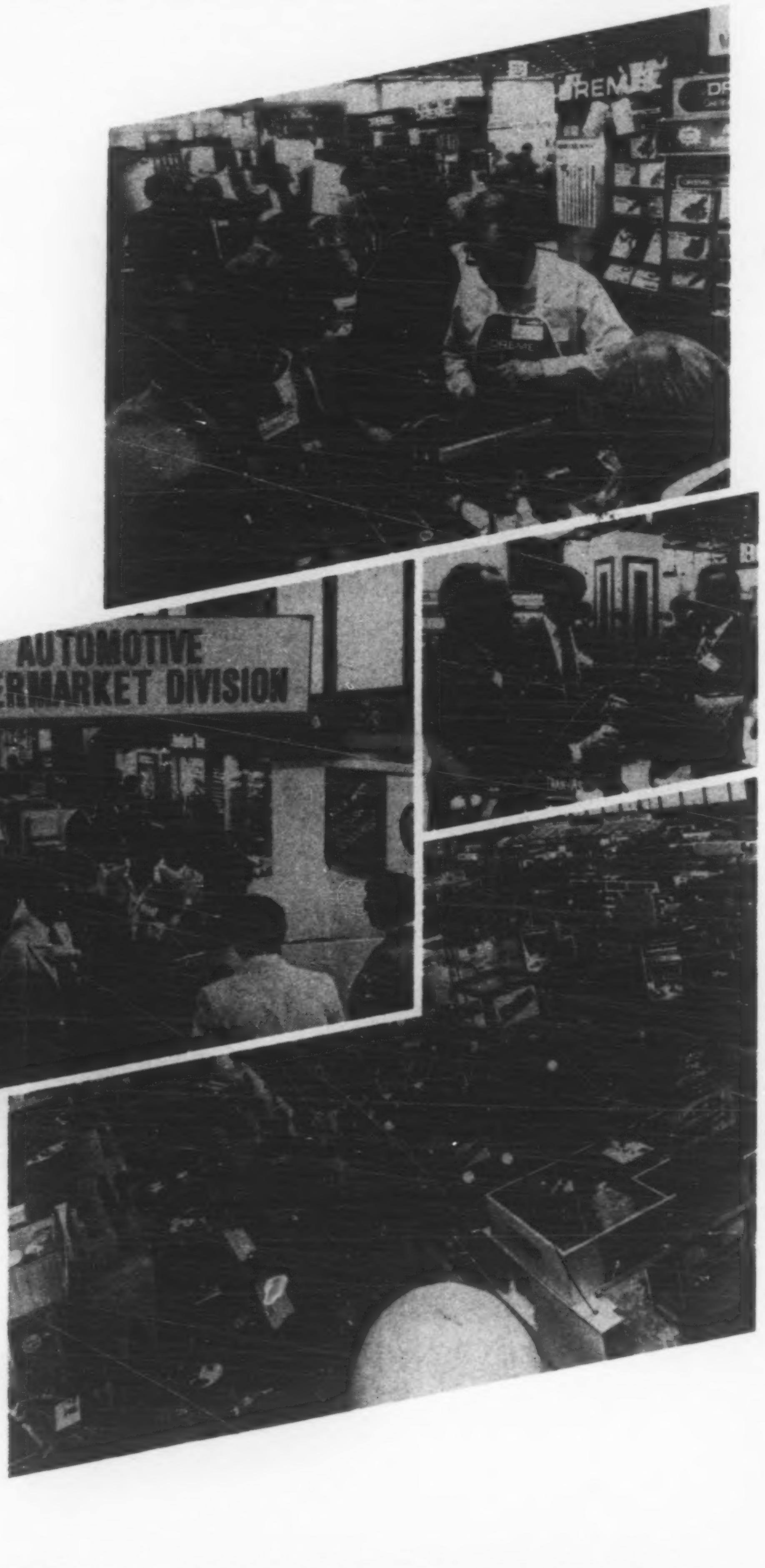
These data show that home centers got close to five turns annually on hand tool inventory, and their average Gross Margin Return on Investment in the category was 1.74. Hardware stores and lumberyards, on average, were getting a full turn less in hand tools, and the GMROI was 1.47 and 1.22, respectively. In addition, home centers, with their reputation for being more promotional than either hardware stores or lumberyards, maintained comparable margins on hand tools with these other stores.

Hardware stores generally got a higher percentage of their sales from hand tools, but these products also accounted for a much higher percentage of a unit's total inventory compared with home centers or lumberyards.

The same data for power tools revealed, surprisingly, that home centers got higher average gross margins on these items than hardware stores or lumberyards. The home centers responding to the NRHA study also got at least 1½ more turns annually from power tools than the other two store types.

Perhaps the most remarkable finding in the NRHA study was the disparity between the GMROI home centers get on power tools and what lumberyards and hardware stores can generate. For every dollar invested in these products, home centers are getting back more than half again their investment. On the other hand, it does not appear that hardware stores and lumberyards are even able to break even selling power tools, based on their reported GMROI ratios.

However, it cannot be said that either hardware stores or lumberyards have relinquished the hand and power tool market to home centers completely. A heightening of competitiveness, taking the form of more frequent promotional activity, can be expected for all home improvement retail sectors, as the drive for market share marches on.



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TO VALIDATE, KINDLY CHECK ALL APPROPRIATE BOXES.
IF "OTHER," SPECIFY. PLEASE PRINT CLEARLY.

Trade Classification
Check primary one
A ☐ Wholesaler/Distr.
B ☐ Retailer
C ☐ Manufacturer
D ☐ Mfgrs. Agent
E ☐ Import
F ☐ Export
G ☐ Other: ____

Title/Function
A ☐ Owner/CEO/Pres.
B ☐ VP/GM/Div. head
C ☐ Merch. Mgr.
D ☐ Buyer
E ☐ Other: ____

Wholesalers Only
Check best definition
A ☐ Independent Wholesaler with member stores
B ☐ Independent Wholesaler
C ☐ Co-op/Chain Headquarters

Products You Sell
Check all appropriate
A ☐ Hardware
B ☐ Lawn & Garden
C ☐ Housewares
D ☐ Hand & Power Tools
E ☐ Automotive
F ☐ Plumbing
G ☐ Electrical
H ☐ Bldg. Supply materials/tools
I ☐ Heating/cooling
J ☐ Outdoor Living
K ☐ Sporting Goods
L ☐ Paints/sundries
M ☐ Wall coverings
N ☐ Floor coverings
O ☐ Ceiling products
P ☐ Lumber/plywood
R ☐ Furniture: KD, outdoor, indoor
S ☐ Major appliances
T ☐ Kitchen cabinets
U ☐ Bathroom fixtures

Retailers Only
Check 1 of each
A ☐ Hardware store
B ☐ Home Center
C ☐ Lawn & Garden/patio
D ☐ Mass Merchandiser/Disc. store
E ☐ Lumber/Bldg. supplies
F ☐ Automotive supplies
G ☐ Other: ____

Number of Stores
H ☐ One store
I ☐ 2 - 4 stores
J ☐ 5 or more stores

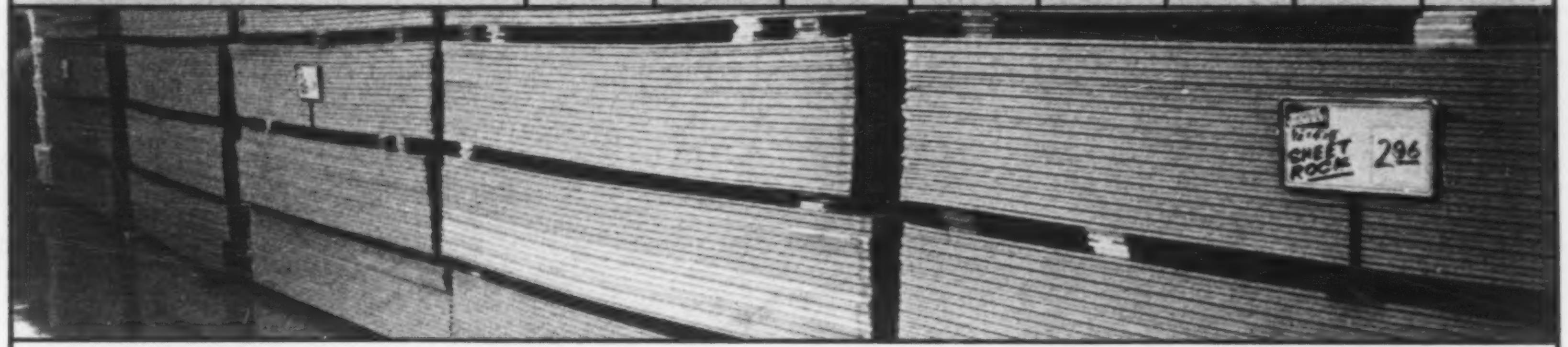
Total Annual Sales
K ☐ up to $500,000
L ☐ $500M to $1,000,000
M ☐ 1 to 5 million $
N ☐ If over 5 million, indicate to nearest million: ____

Type of Operation
O ☐ Co-op/Member Dealer
P ☐ Independent
R ☐ Chain

NH-6

Building Materials: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	292.18	280.76	29.6	27.5	5.8x	6.6x	1.72	1.82
Lumber/building material outlets **	606.85	405.29	28.7	27.4	7.1x	6.1x	1.98	1.66
Hardware stores	95.93	92.33	33.1	39.2	2.7x	3.0x	0.89	1.18



*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Robust building material sales earnings mark '85

By an NHCN staff editor

NATIONAL REPORT — Suppliers and retailers enjoyed robust building materials sales in 1985.

Owens-Corning, USG, and even the troubled Manville Corp. enjoyed higher sales and earnings in 1985, partially in response to repackaging techniques and more streamlined efforts to cater to their retail buyers. Owens-Corning led the way with earnings of $131 million on sales of $3.3 billion.

CertainTeed and National Gypsum posted lower sales volumes for the year, even though both recorded upswings in earnings.

While retailers have historically complained that building materials have long suffered low margins and continued to do so in 1985, many, especially in the the North and Northeast, found roofing, gypsum and insulation turning at a brisk pace. What is more, there were some positive indications that roofing materials were beginning to earn better margins and a stronger commitment by both retailer and supplier to merchandise the category.

One of the steps manufacturers such as CertainTeed and Owens-Corning took in 1985 was to provide retailers with less expensive asphalt and fiberglass step-up shingles and special displays featuring the esthetic quality of the product.

With brands such as Certainteed's "Hallmark," Owens-Corning's "Chaparral II," or GAF's "Timberline," roofing makers have pushed laminated roofing shingles in strong promotional displays to show color diversity and highlight such aspects as fire resistance.

In drywall, shortages had many retailers scampering for product during the last half of the year, paticularly in the Northeast where commercial and residential housing starts were running above national averages.

Because gypsum board has long been plagued by periodic shortages, many retailers were placing long order files with their suppliers and some had tacked on price increases by the time they were restocked.

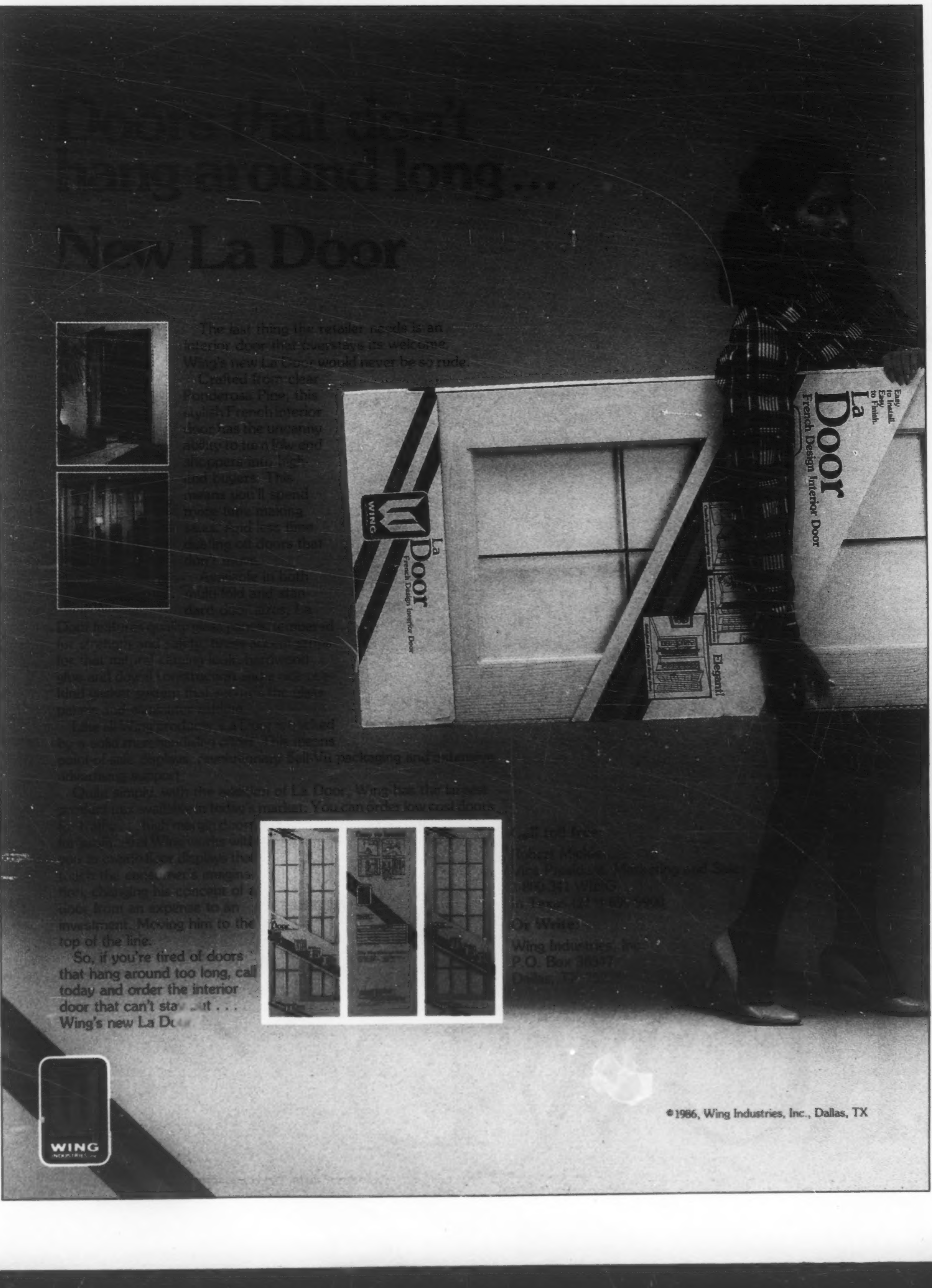
But high demand for gypsum has increased the commodity's price 62% since 1982, according to an industry analyst at Salomon Brothers, New York.

Faced with the end of tax credits, retailers resorted to a wide range of promotions to keep insulation in the public eye.

Despite the challenges retailers faced merchandising and pricing buildong materials, the category continued to be the highest contributor to hime center net sales, accounting for 25.7% last year, according to the National Retail Hardware Association.

When lumber and building materials are combined, the two products, not surprisingly, made up 46% of a home center's net sales. Building materials were the ninth highest ranked category in terms of gross margins, coming in at 29.6%.

DIY lumberyards earned about 32.6% of their net sales from building materials and enjoyed a whopping $606 in sales per sq. ft. Building materials were also a lumberyard's highest turning category at 7.1 turns.



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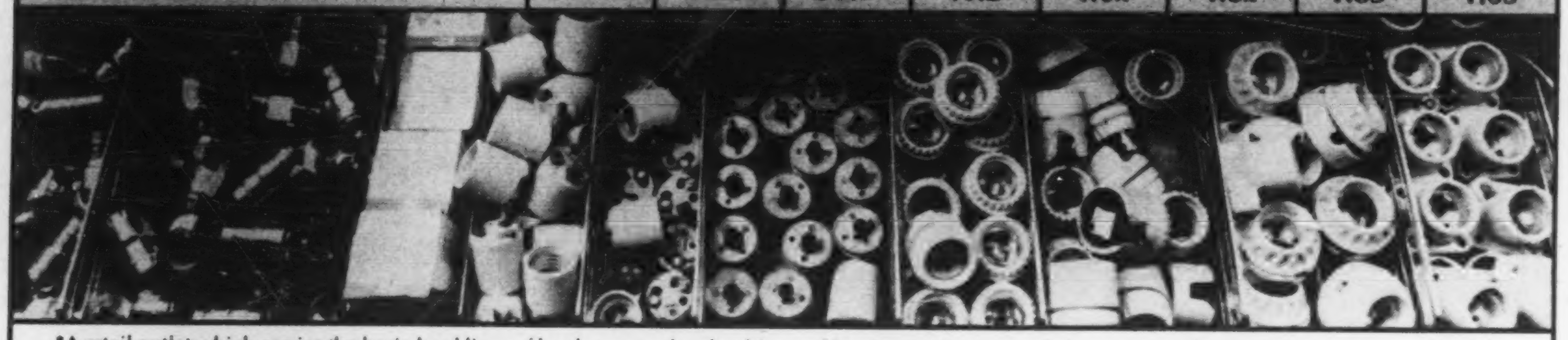
Electrical Supplies: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.32	126.60	36.5	38.7	4.8x	5.1x	1.76	1.95
Lumber/building material outlets **	177.62	176.09	33.4	33.2	5.2x	3.3x	1.72	1.10
Hardware stores	147.41	94.39	39.9	41.2	4.6x	4.0x	1.85	1.65



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GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Electrical departments yield high gross margins

By an NHCN staff editor

NATIONAL REPORT — Today's more affluent families have greatly influenced merchandise assortments in many retailers' electricals departments. The demand for supplies and accessories for television sets, stereos, video tape recorders, computers, and almost anything electronic, has been answered with larger, more product-oriented electricals departments.

Particularly popular electricals supplies have been surge suppressors, multistrip electrical outlets and programmable light timers and thermostats, according to retailers. But the growth in these products have not dimmed the appeal of other, more traditional electrical items like extension cords, switches, bulbs and fixtures.

In fact, according to a Frost & Sullivan report released last year, electricals is one of the "hottest" product groups in home improvement retailing.

Electricals, as a category of merchandise, is a staple, sold by all home center and hardware retailers surveyed in three reports recently released by the National Retail Hardware Association/Home Center Institute. DIY lumberyard dealers carry the category, but to a lesser degree than the other type of retailers in the survey. The National Retail Hardware Association (NRHA) said only 84.8% of these retailers have electrical departments in their units.

With gross margins between 33% and 40%, electrical supplies produce some of the highest gross margins in home improvement retailing. Hardware store dealers get better margins on electricals than either home centers or DIY lumberyards, with 39.9%, according to the NRHA.

They also get the best gross margin return on inventory compared to the other two types of DIY outlets. With a GMROI of 1.85, electricals, along with the heating and cooling department, top the GMROI list for hardware dealers.

Lumberyards, however, achieve the greatest sales per square foot in this category, $177.62. They account for 5% of total sales and occupy 8.2% of the retail floor space. Electrical supplies account for 5.3% of total inventory and the sales to inventory ratio is 5.2.

Home center operators get the fewest dollars per square foot in the electricals category, $130.32. The category accounts for 5.5% of an average home center's net sales and took up 7.6% of a store's retail floor space. Electrical supplies, according the NRHA, amounted to just 4.8% of total inventory. The sales to inventory ratio is 4.8.

Hardware stores get $147.41 in sales per square foot in the electricals department, making it the most profitable piece of real estate in the store. This category of merchandise comprises 12.8% of a hardware unit's net sales, which is second only to the hardware department, at 17.5%.

Electricals occupy 12.2% of the sales floor and 13.3% of the inventory at hardware stores.

In addition to getting slightly less than a 40% margin on these products, electricals had a sales to inventory ratio of 4.6, the highest for all products sold through hardware stores, according to the NRHA.

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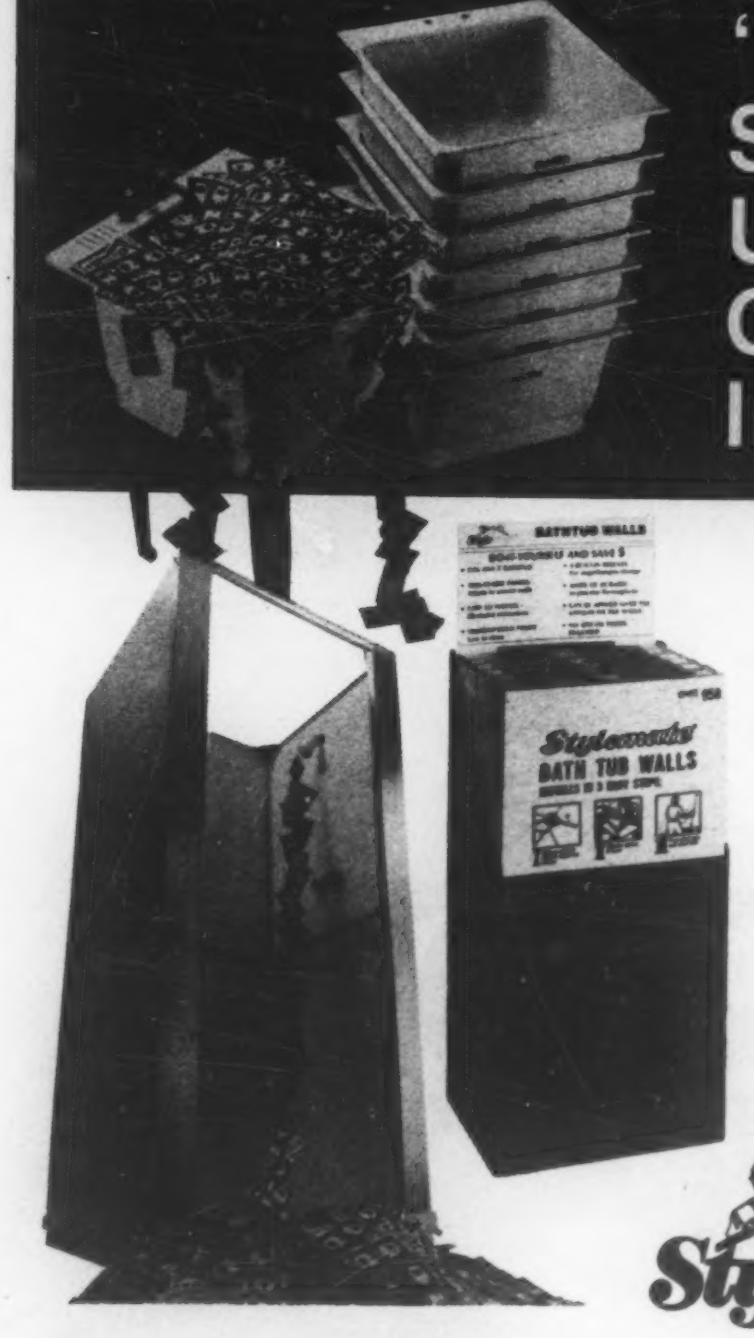

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NRHA program aimed at housewares sales boost

By an NHCN staff editor

NATIONAL REPORT — Last year housewares manufacturers focused their attention on a program aimed at stemming the category's eroding market share in DIY channels.

The National Retail Hardware Association (NRHA) and the National Housewares Manufacturers Association (NHMA), in conjunction with a committee of housewares manufacturers and the hardware buying groups, created a program to stop the decline. It was unveiled last November at the 83rd semi-annual Housewares Exposition in Chicago.

The $45 billion industry does about $1.36 billion of its annual sales, or 3%, through DIY channels, the two associations reported. Although it is a hefty sum, sales through DIY outlets have actually declined.

Housewares commands nearly a 40% gross margin overall, the trade groups note, but less than that in the home improvement industry.

According to the 1985 Bottom Line Report published by the NRHA, housewares achieves only a 1.05 gross margin return on inventory for retailers, one of the lowest GMROI's in a store's product mix.

Dick Wright, vp-marketing for NRHA, said his goal is to improve that to 1.50% GMROI, which will bring the category on par with hand tools and hardware items in hardware stores and lumber in lumberyards.

News of the program is spreading slowly and is being met with mixed reviews. Many retailers don't believe they can achieve the 40% margins and don't care to try. Intense competition both from within and outside the industry, particularly from discount retailers, has them doubtful.

But many retailers are having great success with their housewares programs, among them All American Home Center of Downey, Calif.;Hechinger of Landover, Md.; Mr. Goodbuys of Philadelphia; and Great Ace Hardware, Chicago.

According to three NRHA reports, less than half of all home center retailers have a housewares department compared to about 87% for hardware stores. Housewares departments can be found in less than 20% of all lumberyards.

Hardware stores get the best gross margin on the merchandise, 34.1% compared to 33.8% for home centers and 23.4% for lumberyards.

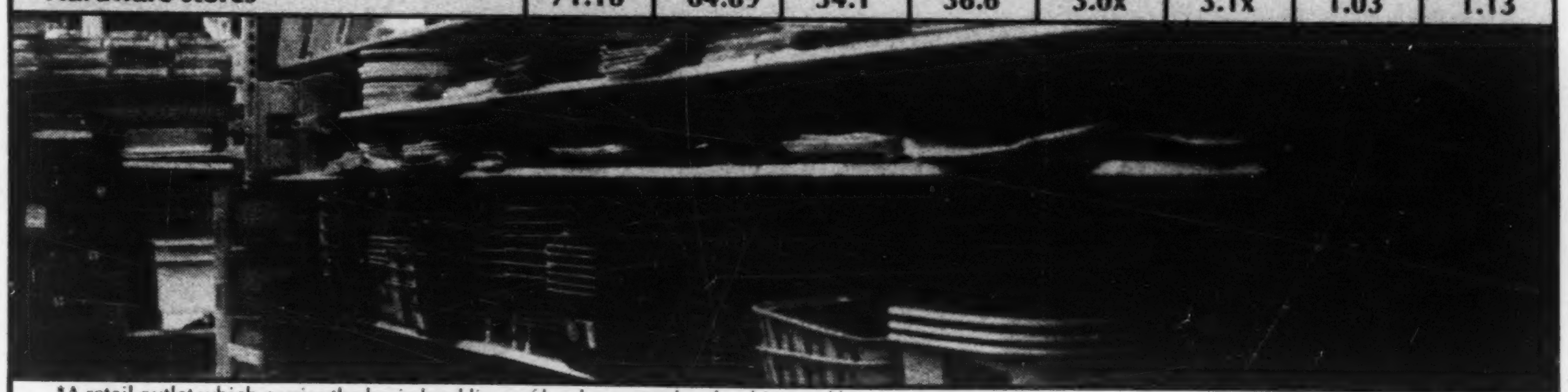
Housewares gives home centers $85.23 in sales per square foot of retail space, and amount to just 2% of net sales. The category occupies 5.5% of the sales floor in a home center and constitutes 2.6% of the store's inventory.

In hardware stores, the category generates sales of $71.16 per square foot and amounts to 7.6% of net sales. Housewares merchandise occupies 11% of the typical retail sales floor in a hardware store. The category amounts to 9.5% of a dealer's inventory.

Lumberyard owners achieve the best housewares sales per square foot of retail space, $92.33, but these sales only amount to 0.6% of a dealer's net sales. And, only 1.1% of the total sales floor in a lumberyard is dedicated to housewares.

Housewares: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	85.23	92.70	33.8	31.2	3.1x	4.6x	1.05	1.45
Lumber/building material outlets **	92.33	156.68	23.4	23.9	2.3x	2.3x	0.52	0.54
Hardware stores	71.16	64.89	34.1	36.6	3.0x	3.1x	1.03	1.13



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**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

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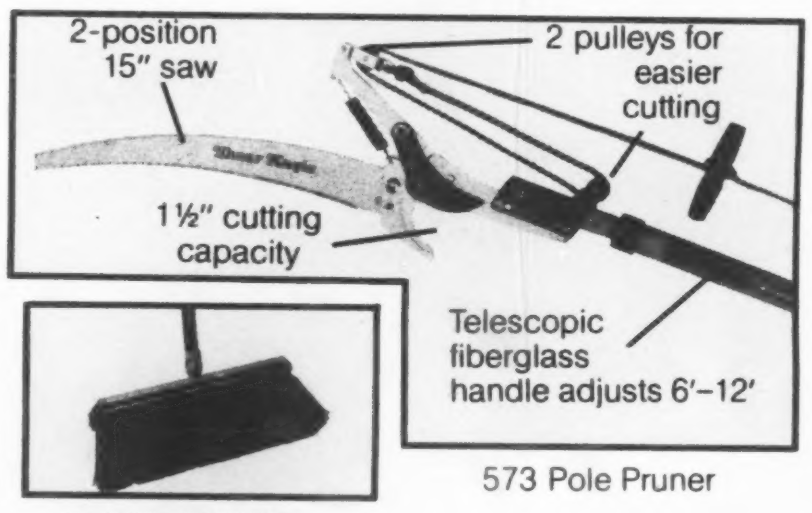
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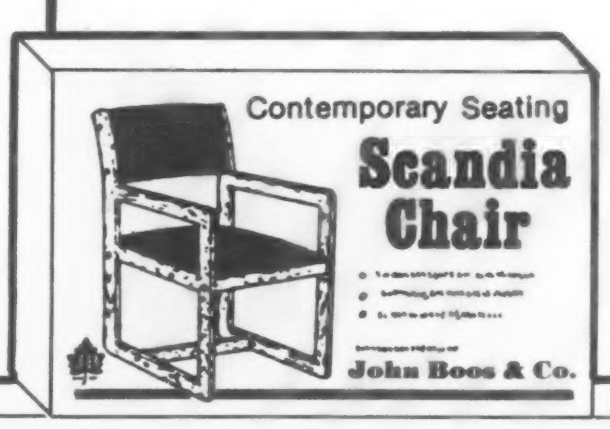

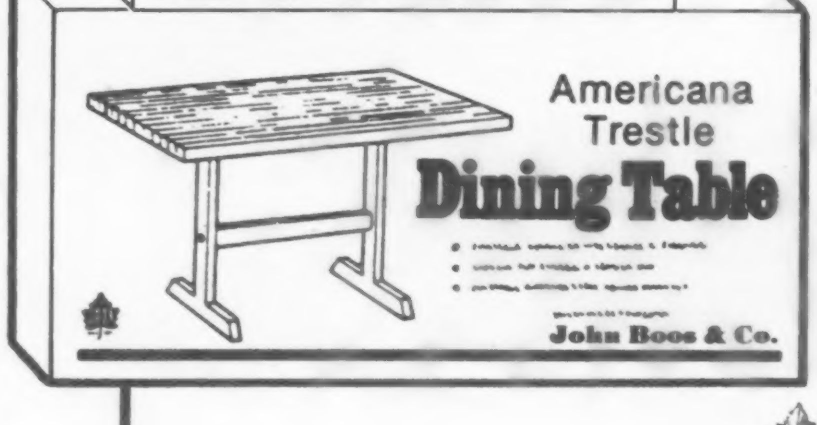

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Perspectives

annual report

Lumber prices continue drop throughout 1985

By an NHCN staff editor

NATIONAL REPORT — Like the year before it, 1985 gave further evidence to lumbermen that theirs is a feast or famine enterprise.

The chronic problems of oversupply, depressed prices, Canadian imports and idled mills have long haunted manufacturers. But dealers began to share some of the agony as more than 600 lumberyards went out of business in farming areas of the Midwest, South and Plains states.

To offset the sharp drop in contractor sales in depressed areas, many lumberyards increased their overtures to DIY shoppers. Late last year *Random Lengths*, an industry newsletter, reported that of 179 contractor-oriented lumber yards polled in a survey, one-fourth were counting on DIY traffic for half of their sales. Not only were these respondents stocking more homeowner items, but were also bringing more lumber from the outdoors to display on the showroom. The number of dealers looking for more DIY business represented a 10% increase from a similar poll a year earlier, the newsletter reported.

Plywood's successors gain share

Among the products in the lumber department DIYers encountered with greater frequency in 1985 were oriented strand board and waferboard structural panels, the two chief rivals and expected successors to plywood. Despite some dealer suspicion that these unadorned nonveneer boards enjoy limited demand from shoppers (despite being priced less than plywood), producers put nearly 4 billion board feet of nonveneer panels on the market last year and project a tripling of that output before the decade ends.

Lumber prices continued their fickle, topsy-turvy price swings through most of 1985, before reaching disappointing levels by the end of the fall building season.

In May of last year, *Random Lengths'* framing composite price capped off an eight-week price hike at $238 per thousand board feet, the second longest recorded spiral in the history of the composite index. In an unusual turn of events, southern pine garnered advances of over $100 from 1984, higher even than western or Canadian spruce, the timber preferred by builders.

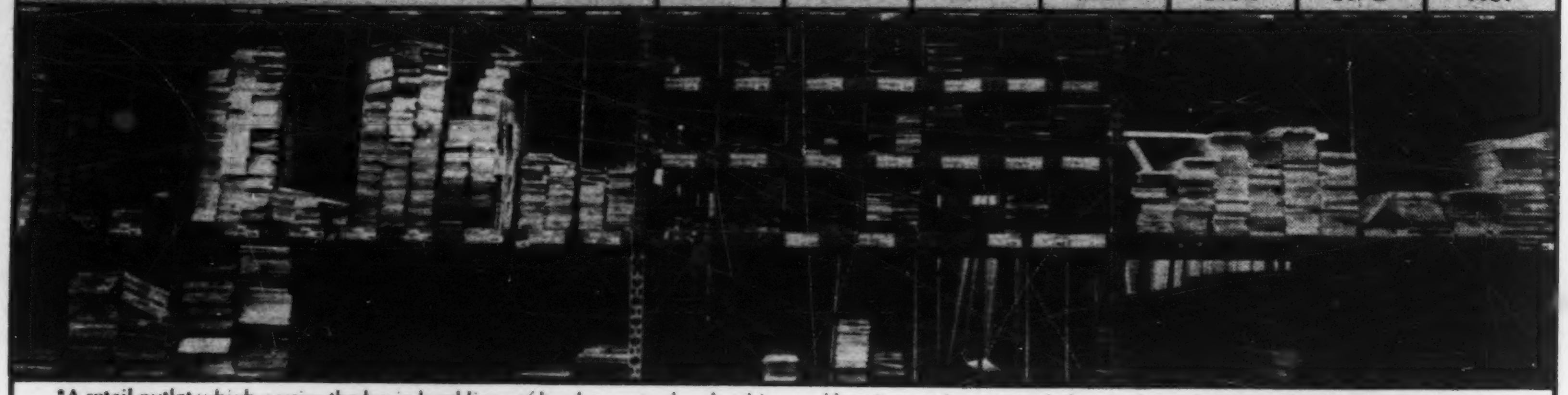
By September, the framing composite price had dropped to $171, one of the lowest price levels since 1983.

Beetle infestation erodes lumber prices

Part of the reason for the drop in lumber prices had to do with the pine beetle infestation in the South, which some called one of the worst blights in memory. Salvage timber—good trees cut prematurely as a buffer between beetle-killed trees and healthy stands—hit rock bottom as growers literally gave their trees away. Stumpage that sold for $300 per thousand board feet in 1980, and $110 by the middle of 1984, was being sold for as little as $10 to $15 per thousand board feet during the height of the scourge. By October, the United States Forest Service reported that 800 million board feet of southern pine had been destroyed.

Lumber: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	364.21	261.14	25.5	26.9	8.3x	7.2x	2.11	1.94
Lumber/building material outlets **	769.24	796.75	24.3	25.4	6.5x	6.5x	1.56	1.65
Hardware stores	63.65	125.42	28.1	35.8	2.6x	3.0x	0.72	1.07



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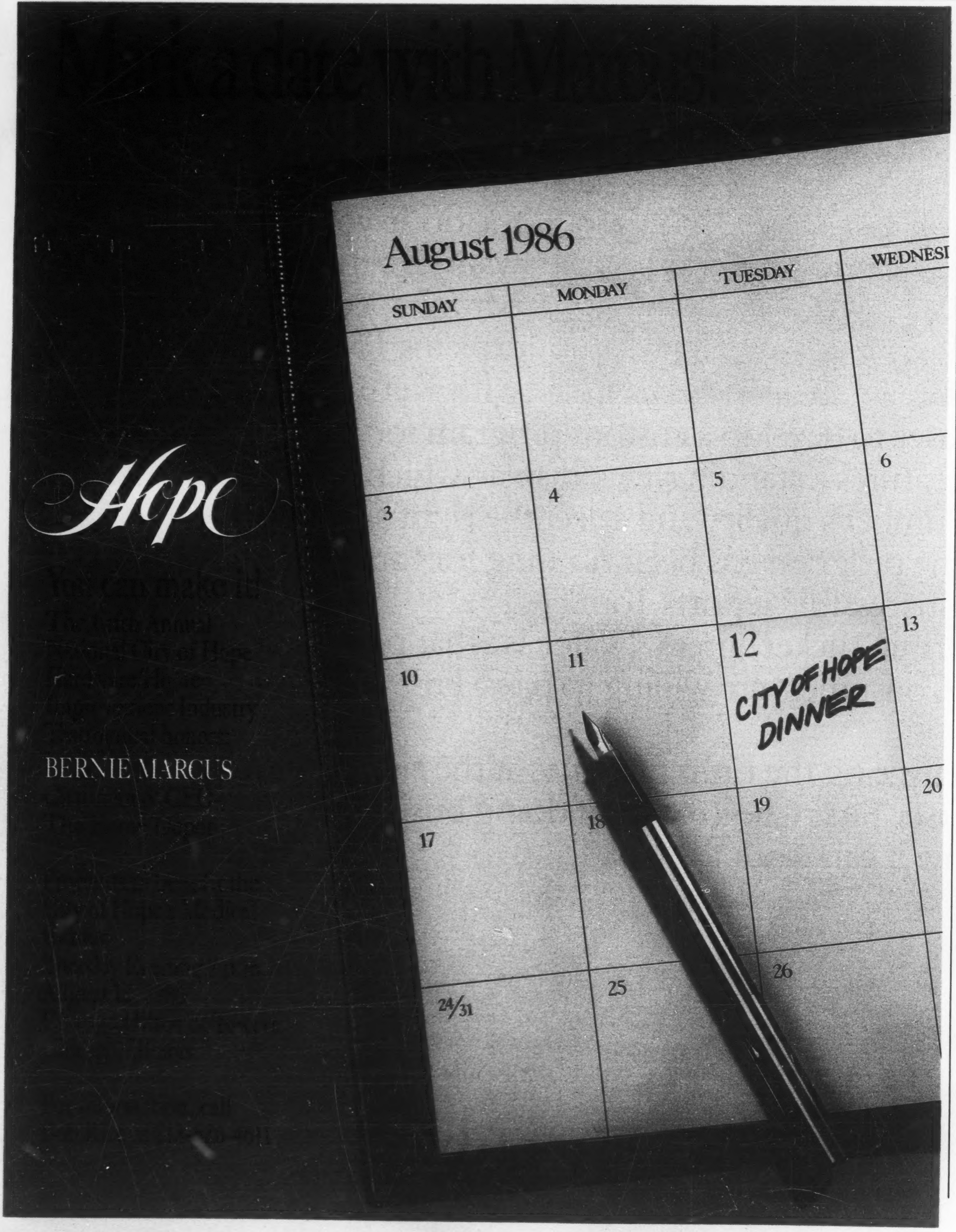
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute



Hardware profitability, total sales boosted in '85

By an NHCN staff editor

NATIONAL REPORT — Given the virtual universality of hardware departments at home centers, one might think vendors would be constantly introducing a cascade of new products to excite shoppers and thereby help retailers further punch up what is already one of the highest gross margin categories in the home center product universe.

Yet, the hardware message in 1985 was just about the same as in former years: Hardware is functional, and its role is primarily as an add-on item to project sales, rather than as either impulse or demand merchandise.

Vendors and retailers alike turned more to new methods of getting the product moving faster—and tracked better—as a means of punching up the category's profitability. By the end of the year, the largest hardware vendors were starting to attach bar code labeling to their products to help retailers turn the product faster in comparison to the stock they kept on hand.

At the same time, vendors were introducing new displays to attract the attention of shoppers. In essence, the move came to organize what can be a department with some 300 to 400 different items at various price points, into a presentation that is more understandable for the consumer.

As for the vital role such decisions will play in the building materials world, figures in three recently released reports from the National Retail Hardware Association (NRHA) tell the tale.

Hardware accounts for 10.3% of total sales at home centers, somewhat above the share it commands at lumberyards. While that's far below the 24.5% share commanded by lumber, and the 27.6% commanded by building materials, there's no doubt that hardware is the most visible element of the hardlines movement in home centers. Hand tools and power tools, for example, each make up less than 4% of total sales.

Further, the study shows that home centers devote an average of 13.9% of their showroom space to hardware. That's higher than any other category save building materials.

And the room devoted to the display of hardware is naturally reflected in the amount of stock the average home center needs to keep. Hardware now accounts for 12% of total inventory at home centers. The only higher categories are lumber, at 22.8%, and building materials, at 29.3%, largely because of project selling.

Yet, the home center industry faces quite a challange in squeezing more profit out of a category that is already among the best performers. Home centers enjoy an average gross margin of 40% on hardware last year, according to the NRHA reports. That's well ahead of the comparable percentage obtained from other merchandise in the store. Only hand tools, with their 35.6% average gross margin, come within spitting distance.

Furthermore, the increasing competition from discount stores and grocery stores may further erode the ability of home centers to punch up average gross margins much further, despite the technological advances being introduced by vendors.

Hardware: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	140.78	144.79	40.0	38.7	5.3x	4.2x	2.13	1.62
Lumber/building material outlets **	138.64	162.07	33.6	32.9	3.4x	3.4x	1.13	1.12
Hardware stores	110.73	99.54	42.7	43.5	3.6x	3.6x	1.53	1.57

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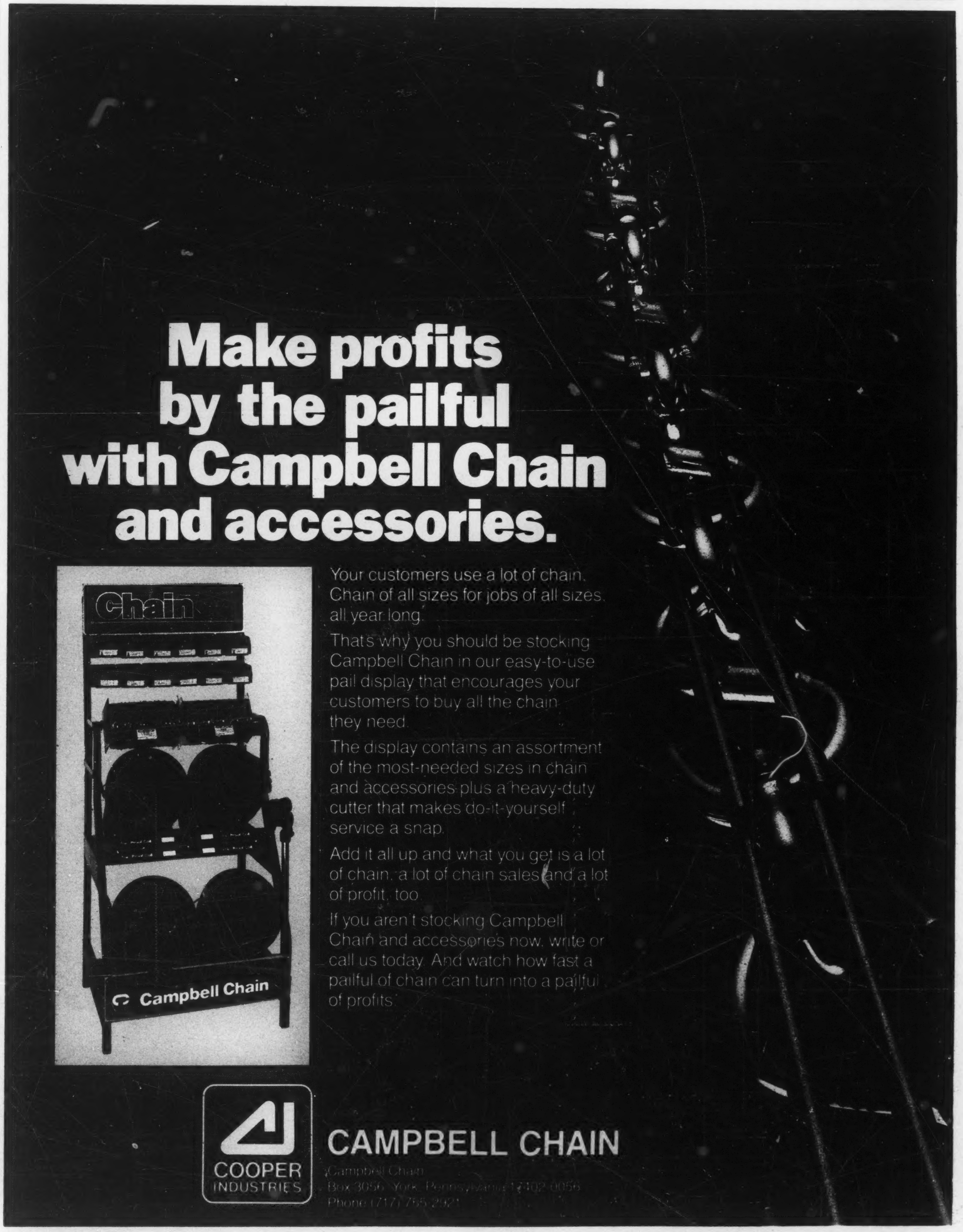
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute



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L&G product sales exhibit greatest boost since '79

By an NHCN staff editor

NATIONAL REPORT — Home improvement retailers have shown the greatest percentage increase in sales of lawn and garden products since 1979.

Retail sales of lawn and garden products at home centers, hardware stores and lumberyards climbed 138.5% in those years, according to research conducted by Greenidge & Associates, an Evergreen, Colo., consulting firm. By comparison, chain stores and mass merchandisers' sales of lawn and garden products were up 123.7% since 1979, and lawn and garden centers and nurseries experienced a 52.6% aggregate gain.

Multi-department stores like mass merchandisers and home centers employed their management sophistication toward increasing their share of the relatively young, and growing lawn and garden market. The Home Depot, Scotty's and Mr. HOW Warehouse were just a few of the home center chains that capitalized on this growth by adding live goods and generally buttressing their presentation of outdoor products.

Independent research also confirms the tremendous growth of lawn and garden sales. According to Dr. Chuck Greenidge of Greenidge & Associates, total industry sales at retail grew 21.6% in 1985 to $26.5 billion, up from $21.8 billion the previous year.

Prospects for further growth are just as bright, due to a number of reasons, including the aging of the babyboomer. "A large segment of the population is entering the age of first family formation," noted Dr. Greenidge. "The next three-year to four-year period should be particularly strong for lawn, garden and nursery sales."

A major factor in last year's growth was fair, spring weather in most areas of the country. Another was the recovery in home construction and home sales. "When people move, one of the first things they take care of is the outside of their new house," said Dr. Greenidge.

Americans on the whole are becoming more cognizant of their homes' exterior appearance, said many executives in both the nursery and home center businesses.

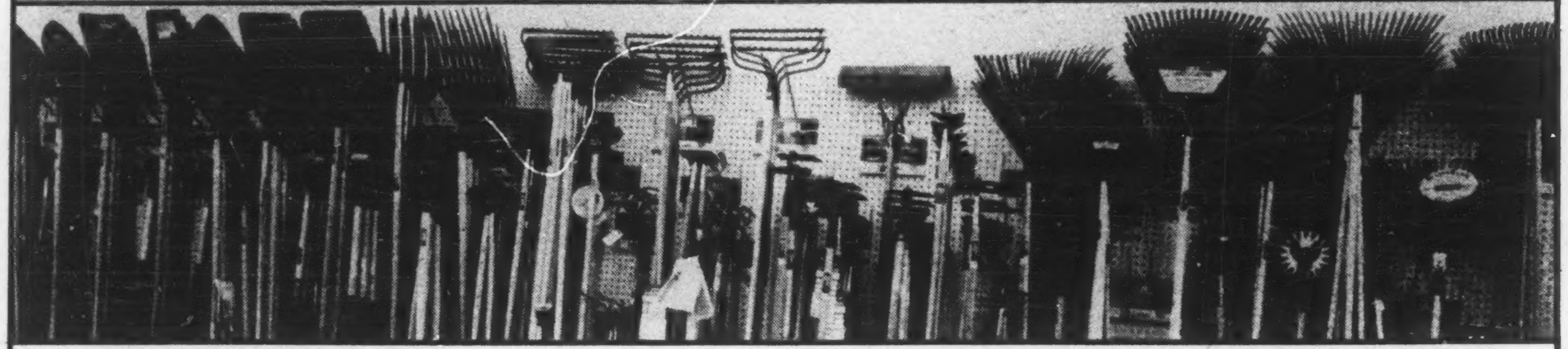
According to the National Retail Hardware Association (NRHA), home centers, on average, garner gross margins of about 33% from their lawn and garden departments. The 1985 Bottom Line report for home centers, published by the NRHA and the Home Center Institute, indicates that 8 out of 10 home centers have lawn and garden departments.

Hardware store are even more likely to sell lawn and garden products. According to the NRHA, 9 out of 10 hardware stores have lawn and garden departments, from which they generate margins of about 35%.

In terms of productivity, lawn and garden departments at home centers produce the fifth highest gross margin return on inventory investment, of 13 departments tracked by the NRHA reports. The lawn and garden department's GMROI of 1.76 in 1985 was comparable to electrical supplies, and higher than hand tools, building materials, power tools and housewares.

Lawn & Garden: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	117.01	89.53	33.2	29.5	5.3x	5.2x	1.76	1.55
Lumber/building material outlets **	175.27	173.68	27.2	30.0	5.0x	3.8x	1.33	1.14
Hardware stores	115.65	92.66	35.4	34.5	4.0x	4.3x	1.40	1.48

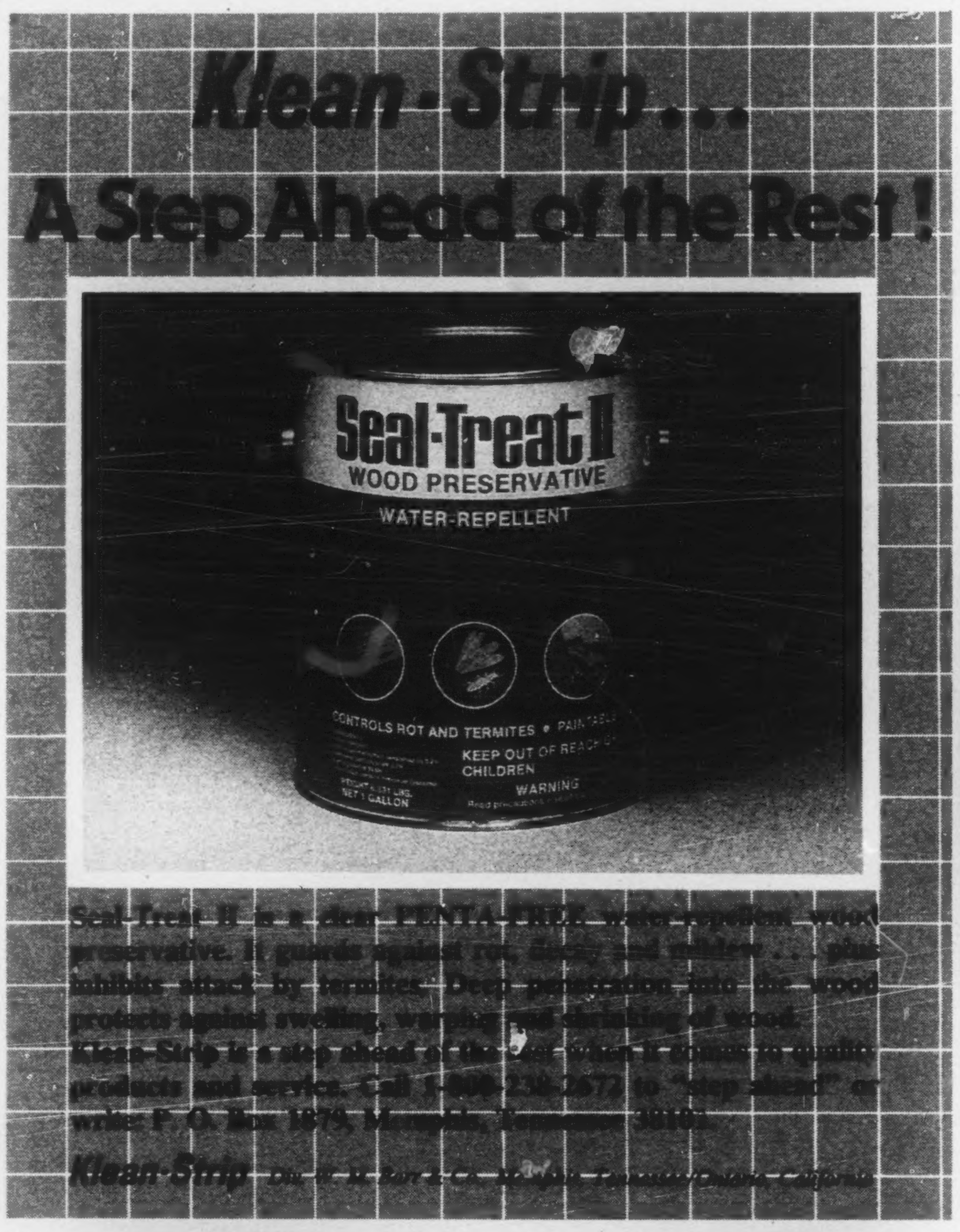


*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute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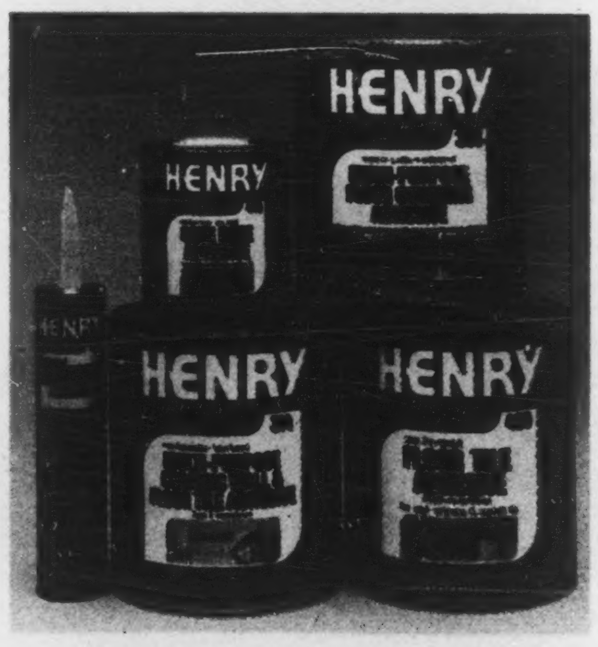

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Plumbing sales sparked by kitchen dept. growth

By an NHCN staff editor

NATIONAL REPORT — The plumbing, heating and cooling category benefitted positively from the growth in home centers of the kitchen and bath department.

With some exceptions (notably, Lowe's), dealers will display plumbing and energy-related products adjacent to K&B departments that, industrywide, have been greatly expanded over the past few years.

In the plumbing and bath category, the name of the game was high-end, as dealers looked to improve their stores' image as a specialist selling this merchandise.

From tub surrounds and enclosures, to better-made fixtures, to higher-end brass bath accessories, home centers placed greater emphasis in 1985 on style (and higher price points and margins) in this category.

Last year, there was also more concern among dealers for striking a balance between the merchandise dealers purchased from wholesalers, and those which could profitably be bought with no middleman.

The faucet category was particularly affected by this quality drive, as myriad suppliers such as American Standard, Kohler, and Sepco brought out new lines to cater to a more discriminating consumer.

That Masco Corp. announced last year the introduction of its ultra-high-end, 700-sku "Epic" faucet line was indicative of where the market for plumbing and bath appeared to be headed.

Most energy products continued to enjoy decent sales gains, despite the fact that energy tax credits were removed by Congress.

Industry sources estimated that 2.2 million woodburning stoves were sold last year. Setback thermostats enjoyed a resurgence in 1985, and suppliers estimates that 4.5 million units could be moved in 1987.

About 10 million ceiling fans were sold in 1985. However, because of oversaturation, the market has leveled off considerably. For the most part, dealers report that the margin structure in the category has deteriorated.

Data from the National Retail Hardware Association (NRHA) reveals that home centers, on average, get about 8% of their sales from plumbing, heating and cooling merchandise, and that stores' sales per square foot in the category were $143.50, up from $132.94 in 1984. Home centers have also increased their margins in the category to 40% from 37.6% in 1984, and turnover to 5.3 times annually from 4.8.

Gross margin return on inventory in this category was 2.13, the second highest GMROI recorded by NRHA in the 10 product categories it tracks.

However, hardware stores, according to comparable data, devoted more of their stores' floor space and inventory to plumbing, heating and cooling, which accounts for about 13% of a hardware store's volume. And hardware stores' profitability in the category is only slightly less than a home center's.

DIY lumberyards get only around 5% of total volume from these products, and are selling them at margins that are 10 percentage points lower than other type stores.

Plumbing, Heating & Cooling: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	143.50	132.94	37.6	37.6	5.1x	4.8x	1.92	1.81
Lumber/building material outlets **	198.75	222.30	30.9	27.5	4.1x	3.6x	1.24	0.99
Hardware stores	137.57	89.38	41.1	41.8	4.5x	3.9x	1.85	1.63

*A retail outlet which carries the basic hard lines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hard lines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

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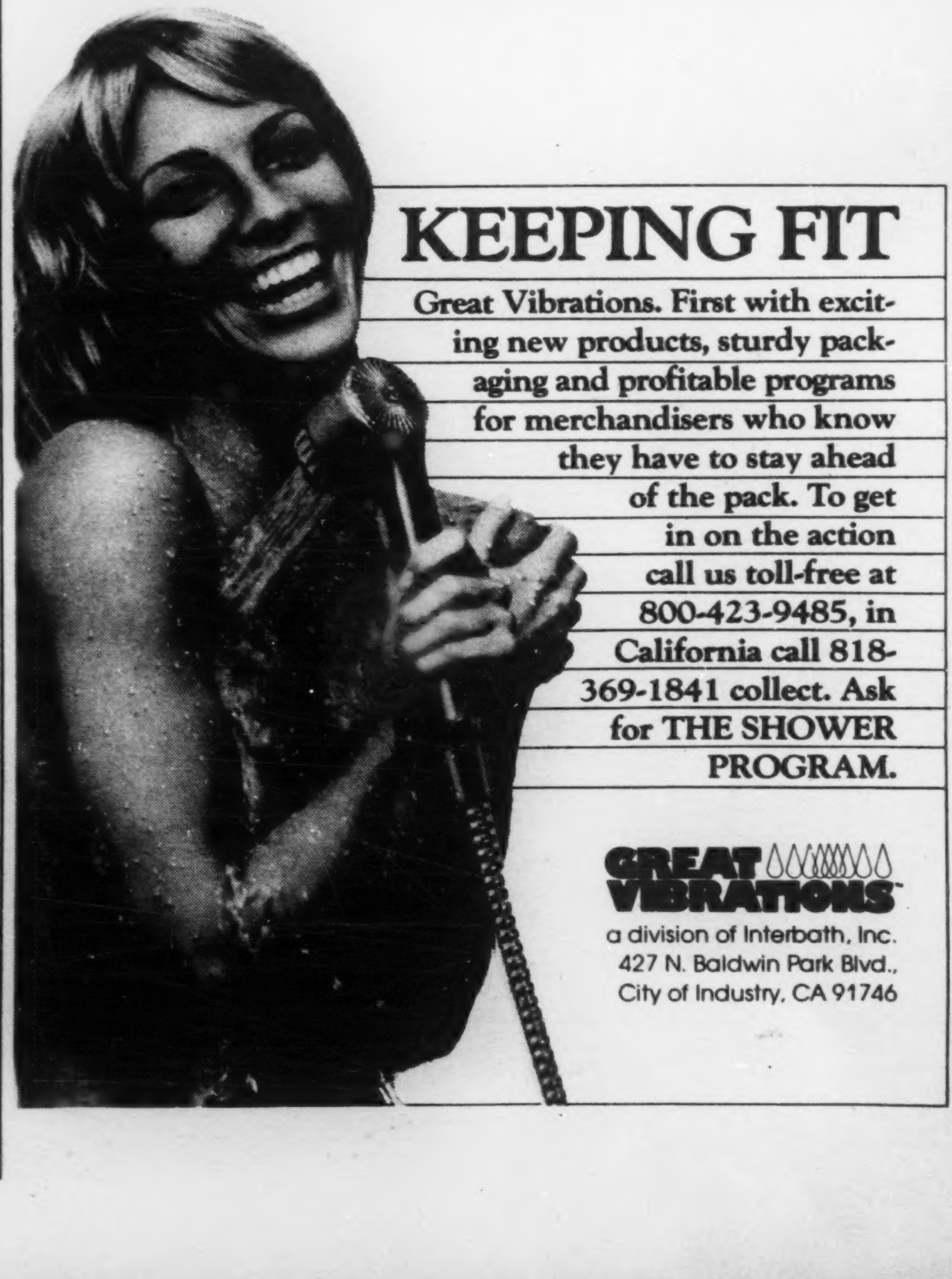
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Residential alterations and repairs top $76 billion in 1985

By an NHCN staff editor

NATIONAL REPORT — Residential alterations and repair activity totaled $76.5 billion in 1985, a 9.6% increase over the $69.8 billion recorded in 1984, according to projections by an economist at Merrill Lynch, New York.

Richard Mount, senior economist and manager of housing and construction material research for Merrill Lynch Economics, made his projections for *National Home Center News* based on the first three quarters of the year. Statistics for the third quarter of 1985 were only just released on April 9 by the U.S. Commerce Department. More exact numbers, which will eventually be released by the Commerce Department, are not yet available.

Third quarter 1985 residential alterations and repair expenditures were an estimated $77.5 billion, seasonally adjusted, up 10% from the $70.4 billion recorded during second quarter, the Commerce Department reported.

A spokesman for the Commerce Department said the reporting delays were due to computer problems and a change in the survey methodology implemented last year. He added that the Commerce Department is scheduled to release fourth quarter 1985 numbers in mid-June but admits that that schedule will probably be delayed, too.

For 1985, Mount at Merrill Lynch is forecasting a 7% increase in residential alteration and repair activity to about $81.8 billion.

Although the percentage of increase will decline slightly in 1986, from the nearly 10% recorded in 1985, Mount feels the 7% increase in activity is strong. His projection is conservative, he explained, because he expects housing starts and resale home sales to flatten during the second half of the year and business in general to level off.

The nation's professional remodelers are more optimistic about home repair activity.

The National Association of the Remodeling Industry (NARI), reported 1985 professional remodeling sales at $52.1 billion, a 17% increase over the $43.1 billion charted in 1984. This year, the association projects between a 12% and 14% increase in activity, to between $58 billion and $60 billion. In 1987, they are estimating business will increase another $12% to $65.4 billion.

Mount is projecting 1987 will record another 7% increase in residential alterations and repairs, to about $87.5 billion.

Remodeling and repair activity was strong in 1985, according to NARI officials, and remodelers at last month's annual convention in Orlando reported they are optimistic about 1986. Some remodelers are even estimating that their sales will nearly double those of 1985.

Wayne Kaufman, vp of REX Industries of St. Louis, said 1985 "was good and I feel good about 1986." He cited lower interest rates and easier financing arrangements for consumers. Kaufman's business generates more than $5 million in "strictly residential" project work, he said, mostly in replacement windows, siding, kitchens, baths and enclosures.

Business is also very strong for Jerry Bieder, co-owner of Jarro Building Industries Corp., East Meadow, N.Y. He said in the past few years, his company has been hired to do "larger and larger projects." Usually his crews are working on projects that range in cost from $30,000 to $130,000.

This year, Mount, of Merrill Lynch, is projecting that expenditures will be strong in all three survey categories: maintenance and repairs; additions and alterations; and major replacements.

The Commerce Department defines maintenance and repairs as expenditures for the upkeep of the property rather than for additional investment. Additions and alterations include expenditures for the construction of new rooms plus changes to the home's interior, ranging from a new light switch to a complete remodel. Major replacements are identified as big ticket items, such as a whole new roof, kitchen cabinets and central air-conditioning.

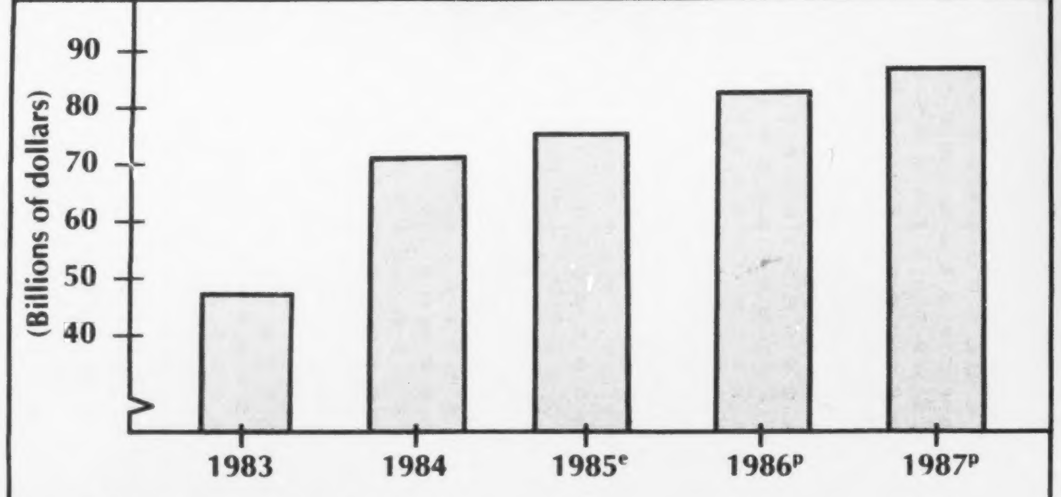
According to the just- released Commerce Department statistics, the $7.1 billion increase, seasonally adjusted, in the $77.5 billion total spent on residential alterations and repairs during the third quarter, were spread out across all three categories.

The largest gain was in additions and alterations, up $3.9 billion, seasonally adjusted, from second quarter, to $29.5 billion.

Additions and alterations, along with major replacements— which posted sales of $14.3 billion, seasonally adjusted, a $1.9 billion increase over second quarter—are identified collectively as total construction improvements and amounted to $42.9 billion, an increase of $4.9 billion.

Maintenance and repairs totaled $33.7 billion, seasonally adjusted, in this quarter.

Residential Alterations and Repairs (annual totals)



e—estimated p—projected
Source: U.S. Commerce Department and Merrill Lynch Economics

Annual expenditures for residential alterations and repair projects should remain strong for the next several years, with growth swelling by nearly 10% in 1985 and by 7% for both 1986 and 1987. NHCN chart

Expenditures by residential property owners
(seasonally adjusted for 1985)

			Construction Improvements		
1985 quarters	Expenditures, total	Maintenance & repairs	Total	Additions & alterations	Major replacements
1st qtr.	84,900	37,300	47,600	29,700	17,900
2nd qtr.	70,400	32,400	38,000	25,600	12,400
3rd qtr.	77,500	32,700	42,900	29,500	14,300

Source: U.S. Commerce Department

Residential property owners spent an estimated $76.5 billion last year on alterations and repairs to their homes. Although activity was strong in all three survey categories, additions and alterations picked up the most momentum during third quarter. NHCN chart

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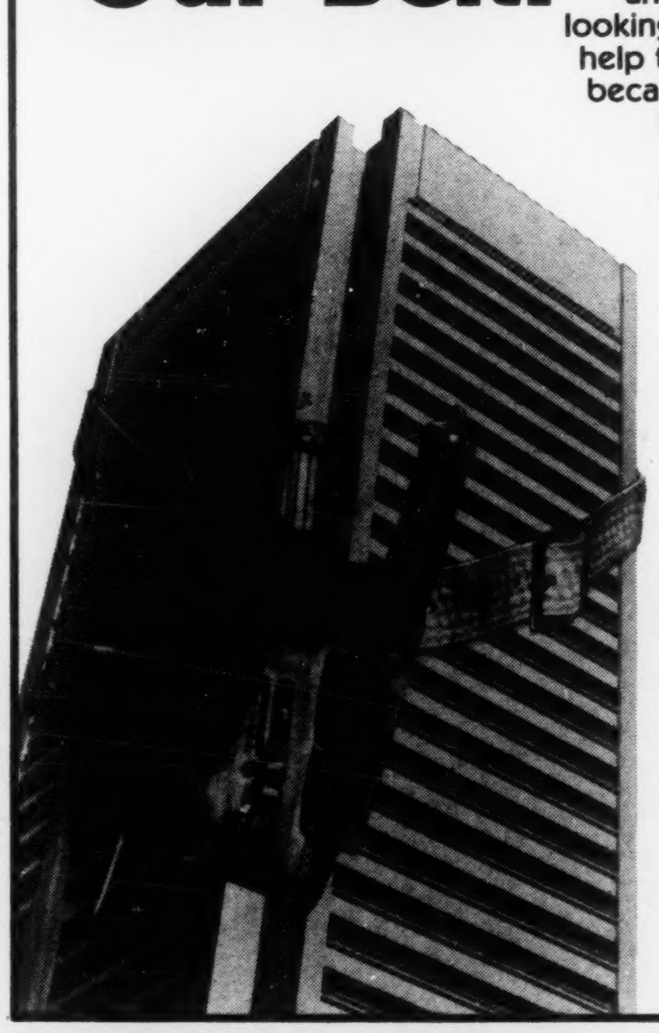

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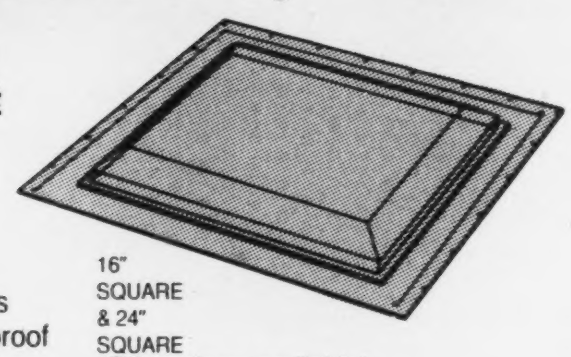

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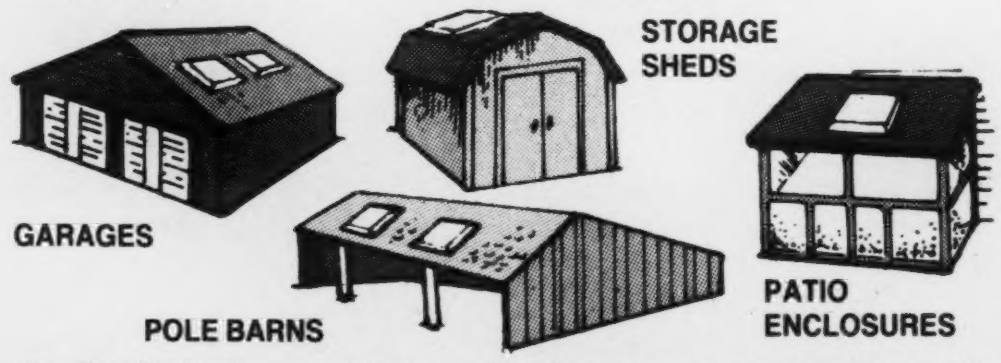

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California to retain top spot in building material sales

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Despite having three of its metropolitan areas drop from the top 10 ranking of retail building material sales markets, California should continue to reign as the leading building material and general retail sales market for the second consecutive year, according to projections by *Editor & Publisher's 1986 Market Guide*.

California is expected to gross more than $7.9 billion in 1986 building material sales, making it the top state in building materials sales in the nation. Texas is a close second in total building materials volume, projected to gross about $6.3 billion in 1986. Florida, which did not have any metropolitan markets in the top ten, is the third ranked building material sales states with a projected volume of $4.1 billion.

California and Texas also ranked one, two in total retail volume (see chart).

The Los Angeles/Long Beach area alone, which was the number one building material retail sales market in *Editor & Publisher's* 1985 projection, is expected to keep that lead among 52 metro markets that are expected to gross more than $250 million in aggregate building material sales in 1986.

Southern California declines a bit

The Los Angeles/Long Beach area is expected to gross close to $2 billion of that total this year, according to *Editor and Publisher*, hitting about $1.87 billion.

But Riverside/San Bernardino, Anaheim/Santa Ana and San Diego slid from the top 10 list of building material sales markets with San Diego expected to take the deepest plummet from last year's tenth position, as its projected sales are expected to drop 31.4% from its 1985 totals to $588.5 million this year, which would place San Diego 21st of the top 50 markets.

Joining the top 10 in the 1986 projection were Atlanta, New York City and Long Island (Nassau/Suffolk, N.Y.).

Atlanta, ranked 13th last year with sales of $828.8 million, climbed to sixth position in 1986 with projected building material sales of $1.0 billion.

New York City jumped from 14th spot in 1985 to take the fifth position of the with $1.1 billion, a 36.7% increase. The Nassau/Suffolk market rose from 12th position to number eight, with expected sales in 1986 of $964 million.

Besides New York, Los Angeles and Atlanta, three other metropolitan markets are expected to earn more than a billion dollars in 1986 in building material sales. These include, in order of size, Chicago ($1.3 billion and second on the list), Houston ($1.2 billion and ranked third) and Philadelphia ($1.1 billion and holding the fourth position).

Several markets near $1B sales

In addition to Nassau/Suffolk, several other cities are on the brink of entering the billion-dollar building material sales club. These include seventh-ranked Detroit at $970 million in expected sales; Minneapolis/St. Paul at ninth place with $926 million (a drop from 1985's third place ranking at $1.1 billion); and tenth-place Boston with estimated sales in 1986 at $924 million (a drop from last year's sixth position with projected sales of $1 billion).

San Antonio led a contingent of six cities that made the list for the first time with building material sales at or above $250 million. San Antonio is expected to gross $416.7 million in building material sales to take the 32nd spot on the list. Other newcomers, in order of rank and sales volume, include: Monmouth/Ocean, N.J. ($379.1 million and 37th place); Bergen/Passaic, N.J. ($364.6 million and 39th place); Anchorage ($303.8 million and 47th place); Louisville, Ky. ($295.8 million and 49th position); Rochester, N.Y., ($250.7 million and 52nd place); and Hartford ($258.8 million and 51st place).

Three cities are expected to lose ground in building material sales, according to *E&P's* projections. San Jose, Calif., ranked 16 last year, is expected to drop to 26th position with sales of about $465.8 million. Oklahoma City dropped from 24th to 34th with projected sales of $482.3 million and the Greensboro, N.C., market is slated to fall to 48th.

Texas areas expect strong growth

Although a dozen cities showed upswings over 1985 projections, Dallas and Austin, Tex., are expected to post remarkable sales in building materials in 1986. Dallas is projected to jump from 20th to 12th with sales in excess of $820 million while Austin is to climb from 49th to 31th, with sales topping $423 million.

E&P's projections of state building material sales were consistent with the metropolitan markets from those states. With the exception of New Jersey, Florida and Ohio, seven of the states that made the top ten building materials sales list also had the top metropolitan markets.

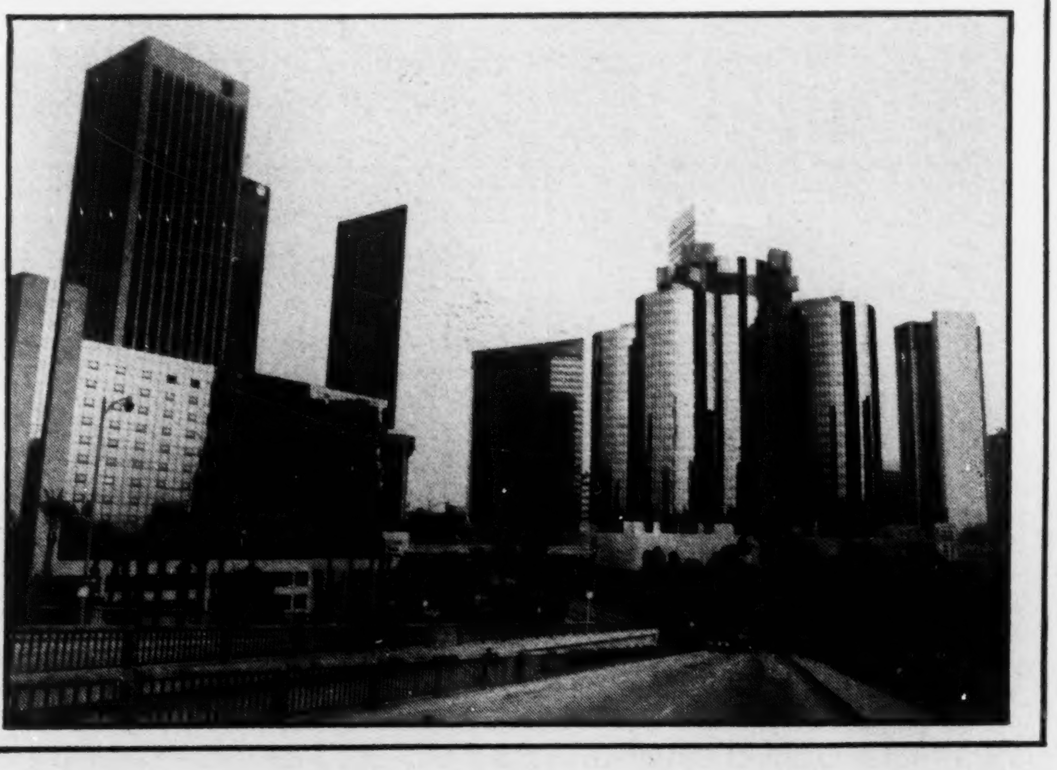
Only three states—Georgia, Massachusettes and Minnesota—despite having top 10 metropolitan markets, did not remain on the top ten state list.

The 1986 Top Metro Market Building Material Sales Estimates Appear on Page 60.

National Projection of Building Material Retail Sales

States	1986 Retail Bldg Mat'l Sales Rank	1986 Bldg Mat'l Sales Volume (In $ thousands)	*Stores	Total Retail Sales Bank
Alabama	26	$1,053,104	1,108	26
Alaska	36	545,962	134	47
Arizona	23	1,102,386	685	25
Arkansas	31	703,976	797	31
California	1	7,958,435	5,531	1
Colorado	19	1,432,574	966	22
Connecticut	28	1,027,674	866	23
Delaware	48	227,410	201	49
Dist. of Columbia	50	57,036	40	51
Florida	3	4,195,137	3,264	4
Georgia	9	2,042,085	1,574	12
Hawaii	49	216,809	126	41
Idaho	42	368,179	399	43
Illinois	5	2,964,943	3,024	5
Indiana	13	1,691,459	1,762	14
Iowa	25	1,070,011	1,566	29
Kansas	29	858,957	1,028	32
Kentucky	27	1,043,113	1,163	27
Louisiana	17	1,588,127	1,298	21
Maine	40	464,828	457	40
Maryland	22	1,236,459	880	16
Massachusetts	12	1,873,896	1,466	10
Michigan	8	2,374,493	2,551	9
Minnesota	11	1,878,722	1,949	17
Mississippi	32	701,845	761	33
Missouri	14	1,665,076	1,678	15
Montana	43	354,120	438	46
Nebraska	33	601,064	820	35
Nevada	41	407,481	242	39
New Hampshire	39	531,621	425	38
New Jersey	10	2,035,217	1,687	8
New Mexico	34	580,742	398	36
New York	4	3,815,453	3,851	3
North Carolina	8	2,412,393	1,966	11
North Dakota	38	353,495	479	48
Ohio	7	2,550,749	2,758	7
Oklahoma	20	1,277,661	1,039	24
Oregon	30	767,286	941	30
Pennsylvania	6	2,936,517	2,985	6
Rhode Island	47	263,713	238	42
South Carolina	24	1,092,096	993	28
South Dakota	44	288,888	430	49
Tennessee	21	1,272,002	1,348	20
Texas	2	6,313,184	4,211	2
Utah	37	537,778	383	37
Vermont	46	269,517	265	50
Virginia	15	1,611,855	1,277	13
Washington	16	1,596,106	1,335	18
West Virginia	35	543,380	608	34
Wisconsin	18	1,473,909	1,805	19
Wyoming	45	365,903	270	45

*Stores include lumber and building material dealers; glass, wallpaper and paint stores; hardware outlets; garden supply stores; and mobile home dealers.
Source: *Editor and Publisher* estimates



The Los Angeles-Long Beach area, which was the number one building material retail sales market in 1985, is expected to keep that lead in 1986.

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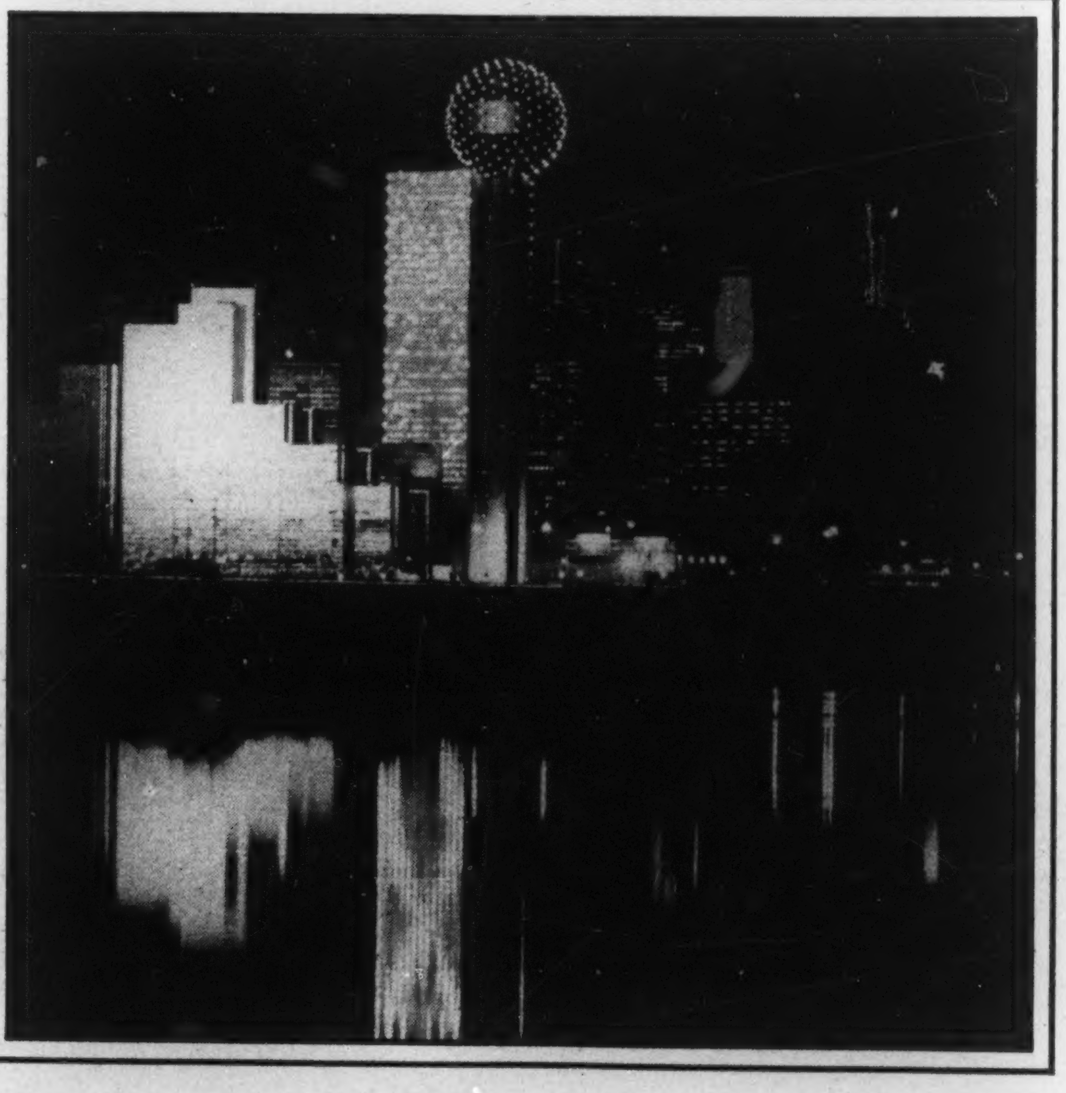
Top Metropolitan Markets for 1986

(estimates in $ millions)

RANK (1985 Rank)	1986 Retail Bldg. Bldg. Mat'l. Sales	*Stores	1986 Total Retail Sales Rank
1 (1) L. A.-Long Beach, Calif.	$1,870.5	1,223	1
2 (2) Chicago, Ill.	1,339.6	1,109	3
3 (4) Houston, Tex.	1,165.7	685	8
4 (7) Philadelphia, Pa.	1,121.9	1,014	4
5 (14) New York, N.Y.	1,120.7	1,258	2
6 (13) Atlanta, Ga.	1,040.0	546	11
7 (5) Detroit, Mich.	970.5	886	6
8 (12) Nassau-Suffolk, N.Y.	964.2	754	9
9 (3) Minneapolis-St. Paul, Minn.-Wis.	926.5	608	12
10 (6) Boston, Mass.	924.4	623	7
11 (11) Washington, D.C.-Md.-Va.	876.2	521	5
12 (20) Dallas, Tex.	829.2	492	10
13 (8) Anaheim-Santa Ana, Calif.	792.1	399	13
14 (9) Riverside-San Bernardino, Calif.	690.1	465	22
15 (19) Phoenix, Ariz.	674.1	327	17
16 (18) Denver, Colo.	655.9	33	18
17 (17) Tampa-St. Petersburg, Clearwater, Fla.	645.6	522	16
18 (15) Seattle, Wash.	643.7	432	18
19 (21) St. Louis, Mo. -Ill.	607.0	413	24
20 (28) Baltimore, Md.	589.1	452	14
21 (10) San Diego, Calif.	588.5	372	15
22 (17) Oakland, Calif.	570.2	384	17
23 (29) Fort Worth-Arlington, Tex.	485.8	267	26
24 (34) Oklahoma City, Okla.	482.3	267	33
25 (23) Pittsburgh, Pa.	468.6	530	20
26 (16) San Jose, Calif.	465.8	256	23
27 (22) Sacramento, Calif.	459.2	326	28
28 (31) Newark, N.J.	447.4	383	21
29 (33) Kansas City, Mo.-Ill.	441.0	396	24
30 (32) San Francisco, Calif.	429.9	311	19
31 (49) Austin, Tex.	423.0	152	39
32 (new) San Antonio, Tex.	416.7	147	31
33 (47) Miami-Hialeah, Fla.	415.0	381	18
34 (42) Orlando, Fla.	402.8	229	33
35 (30) Cleveland, Ohio	380.3	370	22
36 (36) Charlotte, N.C.	379.5	295	34
37 (new) Monmouth-Ocean, N.J.	379.1	219	31
38 (25) Indianapolis, Ind.	366.7	283	30
39 (new) Bergen Passaic, N.J.	364.6	299	26
40 (45) New Orleans, La.	355.1	286	28
41 (37) Cincinnati, Ohio—Ky.-Ind.	353.6	339	27
42 (44) Norfolk, Virginia Beach, Newport News, Va.	352.1	213	33
43 (41) Fort Lauderdale-Hollywood, Fla.	346.6	274	24
44 (35) Salt Lake City, Utah	333.4	203	37
45 (39) Columbus, Ohio	324.6	285	29
46 (46) Milwaukee, Wis.	320.2	351	28
47 (new) Anchorage, Alaska	303.8	51	40
48 (40) Greensboro-Winston-Salem, N.C.	299.9	263	36
49 (new) Louisville, Ky.	295.8	253	35
50 (26) Portland, Ore.	279.7	290	32
51 (new) Hartford, Conn.	258.8	209	39
52 (new) Rochester, N.Y.	250.4	249	38

*Stores include lumber and building material dealers; glass, wallpaper, paint stores; hardware outlets; garden supply stores; and mobile home dealers.
Source: *Editor and Publisher* and 1982 Census of Retail Trade

Dallas is expected to post remarkable sales in building materials in 1986. It is projected that the city will jump from 20th position in top metro markets to 12th with retail building material sales in excess of $820 million.



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Jefferson Wallpaper & Paint Co
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National Home Center News
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Lin-Gor Wallpaper Co.
800-526-7880 or
201-473-2259.

Oil woes don't bother Texas lumbermen

(Continued from page 16)

the housing glut.

"And even in Houston, merchants have been able to survive by adjusting their overhead," Nunn said. "They might not be making a lot of money, but they aren't losing any either."

The story seemed similar in neighboring oil economy states. Ed Smith, president of Smith Building Center in Siatook, Okla., and a former president of the Oklahoma Lumbermen's Association, said his company was suffering a 30% to 40% sales decline since the oil recession hit Oklahoma crude. But like dealers in Texas and his home state, Smith said the company is concentrating on new breed of customers during the downturn.

"My market is a resort area where wildcatters owned second homes around Smith Grand Lake," Smith said. "These were the guys who really spent the money and made the economy go.

"Now that they are going belly up, we're looking at that remodeling market right now and that has been our saviour."

Joe Butler, Sr., who transferred his Lumbermen of Texas executive vp mantle to his son, Joe Butler, Jr., thus ending a 20-year career with the LAT, at times seemed dumbfounded by observers who came to the San Antonio show expecting to find lumber dealers on the brink of despair.

The numbers Butler Sr. produced did seem to rebut the prevailing image of Texas's state of health. He said manufacturers in the industry have been unperturbed by the premature obituary on Texas and literally had to fight each other to secure prized booth space at the convention.

He noted that for an organization that only has 780 members (the majority doing business in small towns), more than 7,000 badges of admission were printed—the largest number in the LAT's history—about half to exhibitors and allied industry suppliers.

"I doubt if we'll have this many booths again because it's just unfair to the vendors," Joe Sr. said. "I mean, we only have 780 members."

Another sign of the manufacturer's devotion to the Texas building material and lumber dealer and the potential for growth the state offers, was typified by the David Allison Co., a major hardware and home decor manufacturer based on Long Island, N.Y.

Steven Fridel, vp of the company, said the Texas lumbermen's show had always been a profitable venture for the firm to attend and promises to be more lucrative in the future.

"This is the largest booth we have ever had in the 20 years we've been attending this show," Fridel said. "And I think the fact that a top executive [himself] is here along with local sales staff show the high regard we have for this show and the home centers that are based here."

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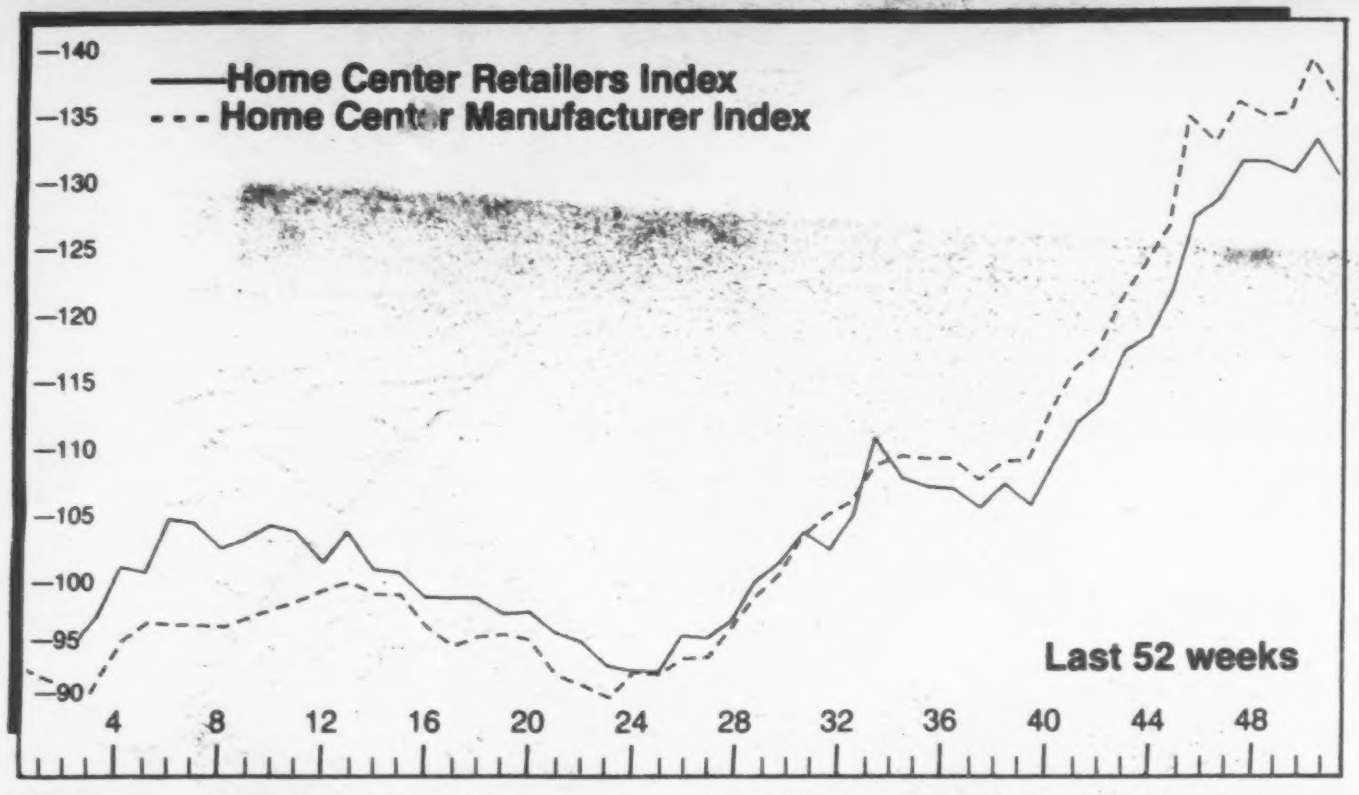
FINANCIAL NEWS

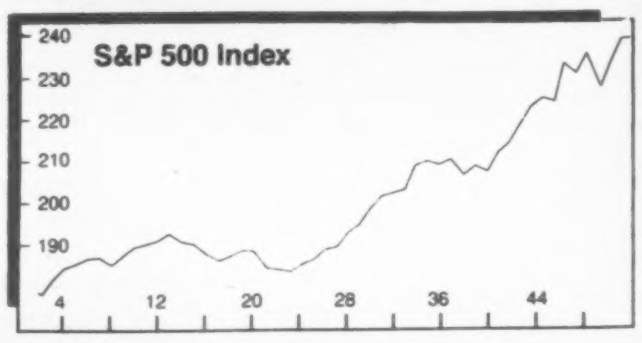


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Manville Cp N	136,024	592.1	- 54.4
Emhart Corp N	20,534	478.9	- 5.4
Waxman Ind M	4,600	427.3	- 1.5
Black & Decker M	88,372	272.9	- 8.3
Svc Merchandise M	54,372	263.5	- 23.5
Grace W R N	63,296	254.9	.0
Allegheny Int N	13,779	249.0	2.2
Natl Hardgoods M	251	245.8	3.7
Potlatch Cp N	5,230	233.1	- 3.2
Homecrafters Whse M	1,908	232.0	- 42.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Company & Market	2-Weeks Ended 5-02-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
Natl Lumber M	5.50	15.8	1,356
Mich General A	4.38	6.1	1,587
Wolohan Lumber M	9.25	5.7	3,864
Natl Hardgoods M	7.00	3.7	251
Handyman A	29.50	2.2	577
Allegheny Int N	23.50	2.2	13,779
Newell Co N	31.63	1.6	2,678
Hechinger A M	26.50	1.0	3,191
Insilco Corp N	23.00	.5	5,834
DeSoto Inc N	39.88	.0	719
Losers	$	%	(100)
Manville Cp N	3.25	- 54.4	136,024
Homecrafters Whse M	1.00	- 42.9	1,908
Svc Merchandise M	11.38	- 23.5	54,372
Walter, Jim N	42.13	- 11.5	7,021
Clopay Corp A	17.00	- 10.5	94
Sears, Roebuck N	43.13	- 10.2	104,274
Pope & Talbot N	18.88	- 10.1	1,197
Wickes Cos A	5.63	- 10.0	118,465
Lowe's Cos N	36.50	- 9.3	11,023
Mor-Flo Inds M	16.00	- 9.2	203

National Home Center News

HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																		
	Price							Volume										Latest Quarter						Year-to-Date						
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E	Indicated Divd. Rate		Latest Report			Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	5-02-86	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	New Report	Period	Date Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Color Tile M	22.63	- .13	- .5	22.75	21.75	23.50	15.25	3,073	3.25	3.45	- 5.8	15.1	.00	.0	NEW	9 mos.	03-86	97.9	7.9	3.4	9.7	.36	9.1	280.1	12.3	10.0	7.5	1.06	5.0
Erb Lumber M	61.50	- 3.50	- 5.4	65.00	61.50	66.50	20.75	25	.28	.68	- 58.8	8.9	.00	.0	.....	fiscal	12-85	47.9	33.8	1.8	125.0	2.01	105.1	190.2	29.0	6.1	110.3	6.88	110.4
Forest City Ent A	29.63	- .13	- .4	30.25	29.50	30.25	20.63	387	.96	.34	182.4	31.5	.30	1.0	.....	fiscal	01-86	81.0	7.6	3.8	322.2	.49	444.4	281.0	6.2	7.4	89.7	.94	91.8
Grace W R N	53.75	.00	.0	58.25	53.50	58.25	35.50	63,296	11.64	3.28	254.9	26.6	2.80	5.2	NEW	3 mos.	03-86	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0	1250.5	- 20.9	(3.1)	- 100.0	(.08)	- 100.0
Handyman A	29.50	.63	2.2	30.00	28.75	30.00	21.75	577	2.24	.71	215.5	NA	.15	.5	.....		12-85	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A M	26.50	.25	1.0	26.75	26.50	27.00	16.00	3,191	3.65	3.13	16.6	NA	.16	.6	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	26.50	.00	.0	26.75	26.25	27.00	16.00	1,896	1.41	.65	116.9	27.3	.08	.3	.....	fiscal	01-86	116.8	14.1	6.6	8.2	.27	.0	479.0	18.2	23.1	10.5	.97	5.4
Homecrafters Whse M	1.00	- .75	- 42.9	1.88	1.00	8.75	1.00	1,908	6.74	2.03	232.0	NE	.00	.0	.....	9 mos.	10-85	45.4	9.9	(10.2)	NE	(3.62)	NE	143.0	18.0	(13.5)	NE	(4.80)	NE
Home Depot N	16.50	- 1.38	- 7.7	18.25	15.75	20.38	10.50	11,015	4.39	2.94	49.3	50.0	.00	.0	.....	fiscal	01-86	203.7	73.5	2.6	- 27.8	.11	- 21.4	700.7	61.9	8.2	- 41.8	.33	- 41.1
INTERCO Inc N	79.00	- .25	- .3	80.00	78.25	80.00	62.75	4,130	2.90	1.23	135.8	13.5	3.08	3.9	.....	fiscal	02-86	583.0	.4	30.9	NC	1.95	54.8	2510.7	- 4.4	92.3	27.8	5.84	31.2
K mart Cp N	45.75	- 2.25	- 4.7	49.88	44.63	49.88	30.63	58,969	4.69	3.30	42.1	26.4	1.48	3.2	.....	fiscal	01-86	6752.2	- 1.8	10.5	- 94.9	.09	- 94.3	22420.0	6.3	221.2	- 55.7	1.73	- 54.9
Lowe's Cos N	36.50	- 3.75	- 9.3	40.25	36.00	41.38	20.75	11,023	2.97	2.11	40.8	22.3	.40	1.1	.....	fiscal	01-86	475.6	26.5	11.3	7.6	.31	6.9	2072.6	22.7	59.7	- 2.8	1.64	- 3.5
Mich General A	4.38	.25	6.1	4.63	4.13	6.75	3.25	1,587	1.40	1.36	2.9	NE	.00	.0	.....	fiscal	12-85	103.6	- 1.4	(11.4)	- 100.0	(1.01)	- 100.0	439.0	- 2.3	(34.6)	- 100.0	(3.06)	- 100.0
Natl Hardgoods M	7.00	.25	3.7	7.25	6.25	9.00	5.50	251	2.04	.59	245.8	17.5	.00	.0	NEW	fiscal	01-86	9.0	- 7.2	.1	- 66.7	.08	- 68.0	33.5	3.4	.5	- 28.6	.40	- 33.3
Natl Lumber M	5.50	.75	15.8	5.75	4.63	7.25	4.00	1,356	2.41	.76	217.1	NE	.00	.0	NEW	*	01-86	NC	NC	NC	NC	NC	NC	136.4	NC	(.2)	NC	(.03)	NC
Pay N Pak N	15.50	- .63	- 3.9	17.00	15.13	17.00	11.63	3,547	3.55	1.73	105.2	18.9	.64	4.1	.....	fiscal	02-86	74.6	21.3	1.3	8.3	.13	8.3	333.8	9.4	8.2	- 18.8	.82	- 18.8
Payless Cash N	24.00	- 2.13	- 8.1	27.50	23.00	27.50	13.50	14,810	4.27	3.28	30.2	21.1	.16	.7	.....	3 mos.	02-86	274.5	7.7	2.4	50.0	.07	40.0	274.5	7.7	2.4	50.0	.07	40.0
Scotty's Inc N	16.63	- .38	- 2.2	17.50	16.13	17.63	12.38	2,589	1.79	1.05	70.5	15.7	.52	3.1	.....	9 mos.	03-86	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck N	43.13	- 4.88	- 10.2	47.75	42.75	50.38	31.75	104,274	2.87	1.23	133.3	12.5	1.76	4.1	NEW	3 mos.	03-86	9390.3	7.1	195.3	- 12.5	.52	- 13.3	9390.3	7.1	195.3	- 12.5	.52	- 13.3
Svc Merchandise M	11.38	- 3.50	- 23.5	14.75	11.00	16.13	11.25	54,372	16.32	4.49	263.5	NE	.08	.7	NEW	3 mos.	03-86	457.1	31.7	(29.2)	NE	(.88)	NE	457.1	31.7	(29.2)	NE	(.88)	NE
Std Brd Pnt N	21.75	- 1.50	- 6.5	23.25	21.00	24.75	18.75	4,307	3.81	1.74	119.0	15.5	.56	2.6	.....	fiscal	01-86	71.6	1.3	1.6	- 64.4	.14	- 65.0	338.0	7.3	15.8	- 24.0	1.40	- 25.1
Supermkts Gen N	54.63	- 1.38	- 2.5	57.50	53.50	59.38	38.75	6,719	3.74	1.31	185.5	15.3	.48	.9	.....	fiscal	01-86	1356.3	1.5	21.6	- 2.3	1.21	- 3.2	5122.6	17.9	63.7	21.6	3.56	20.7
Wickes Cos A	5.63	- .63	- 10.0	6.25	5.38	7.00	3.56	118,465	12.05	7.70	56.5	NA	.00	.0	.....		01-86	NC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Wolohan Lumber M	9.25	.50	5.7	9.88	9.13	9.88	5.25	3,864	6.60	2.33	183.3	15.4	.16	1.7	.....	fiscal	12-85	37.4	3.3	1.3	62.5	.22	57.1	150.7	8.3	3.5	34.6	.60	33.3
Zayre Corp N	72.63	- 4.63	- 6.0	80.00	71.75	80.00	44.81	12,193	4.16	1.90	118.9	22.5	.64	.9	.....	fiscal	01-86	1499.0	47.1	37.9	9.2	1.14	- 11.6	4036.0	29.2	94.6	17.8	3.23	8.0
Wholesalers																														
Lewis Palmer M	9.13	- .25	- 2.7	9.25	9.00	9.88	6.38	731	1.87	1.76	6.3	39.7	.28b	3.1	NEW	fiscal	01-86	30.4	- 1.0	.1	NE	.01	NE	140.8	- 2.5	.9	- 18.2	.23	- 23.3
Manufacturers																														
Allegheny Int N	23.50	.50	2.2	23.88	21.00	28.75	16.50	13,779	12.81	3.67	249.0	NE	.00	.0	NEW	3 mos.	03-86	467.2	- 7.9	11.9	133.3	.41	NE	467.2	- 7.9	11.9	133.3	.41	NE
Am Standard N	41.75	- 1.13	- 2.6	44.00	41.25	46.88	26.75	10,968	2.79	1.41	97.9	13.5	1.60	3.8	.....	fiscal	12-85	774.3	- 10.2	36.3	17.9	.92	17.9	2912.4	- 9.4	122.1	6.3	3.10	1.0
Armstrng Wrld N	62.50	- .88	- 1.4	66.50	60.50	66.50	31.88	7,024	2.93	2.07	41.5	14.2	1.44	2.3	NEW	3 mos.	03-86	430.9	14.4	22.9	27.9	.95	26.7	430.9	14.4	22.9	27.9	.95	26.7
Black & Decker N	20.63	- 1.88	- 8.3	25.25	20.50	25.25	17.25	88,372	15.29	4.10	272.9	42.1	.64	3.1	NEW	6 mos.	03-86	415.1	3.0	1.6	- 89.2	.02	- 93.1	936.8	3.4	22.5	- 48.6	.43	- 50.0
Boise Cascade N	55.25	- 1.75	- 3.1	57.63	54.50	59.88	38.63	6,607	2.44	2.37	3.0	17.5	1.90	3.4	NEW	3 mos.	03-86	916.6	- 4.3	25.0	- 24.9	.83	- 25.9	916.6	- 4.3	25.0	- 24.9	.83	- 25.9
Certain-teed N	34.50	- 1.88	- 5.2	36.88	34.25	37.13	22.38	4,012	2.11	1.63	29.4	12.0	.90	2.6	.....	3 mos.	03-86	255.0	.8	10.5	28.0	.56	36.6	255.0	.8	10.5	28.0	.56	36.6
Champ Intl N	26.13	- .75	- 2.8	27.63	25.75	29.75	20.25	26,663	2.87	1.89	51.9	19.2	.52	2.0	NEW	3 mos.	03-86	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5	1122.3	- 31.8	22.0	- 49.8	.20	- 53.5
Clopay Corp A	17.00	- 2.00	- 10.5	19.13	17.00	22.00	11.25	94	.61	.81	- 24.7	NE	.16	.9	.....	fiscal	12-85	35.5	- 2.5	(.2)	- 100.0	(.14)	- 100.0	139.2	3.9	(1.9)	- 100.0	(1.24)	- 100.0
DeSoto Inc N	39.88	.00	.0	40.50	39.88	41.00	31.50	719	1.50	.59	154.2	12.0	1.40	3.5	.....	3 mos.	03-86	96.8	4.1	2.4	200.0	.51	200.0	96.8	4.1	2.4	200.0	.51	200.0
Emhart Corp N	36.88	- 2.13	- 5.4	38.88	36.50	42.63	26.25	20,534	7.41	1.28	478.9	12.1	1.40	3.8	NEW	3 mos.	03-86	509.6	21.4	18.0	27.7	.65	27.5	509.6	21.4	18.0	27.7	.65	27.5
Georgia-Pacifc N	30.00	- 2.63	- 8.0	32.88	29.75	33.75	20.50	27,124	2.63	1.89	39.2	22.1	.80	2.7	NEW	3 mos.	03-86	1604.0	1.5	30.0	- 38.8	.25	- 41.9	1604.0	1.5	30.0	- 38.8	.25	- 41.9
Insilco Corp N	23.00	.13	.5	24.00	22.38	24.50	16.63	5,834	2.97	1.37	116.8	16.7	1.00b	4.3	NEW	3 mos.	03-86	180.3	- 8.6	6.8	13.3	.34	3.0	180.3	- 8.6	6.8	13.3	.34	3.0
La Pacific N	25.38	- 2.50	- 9.0	28.13	24.75	30.13	17.13	11,306	3.09	1.70	81.8	36.8	.80b	3.2	NEW	3 mos.	03-86	322.6	19.0	1.4	- 41.7	.04	- 42.9	322.6	19.0	1.4	- 41.7	.04	- 42.9
MacMlln Bldel N	23.38	- .38	- 1.6	24.00	21.50	24.00	12.47	838	.27	.10	170.0	43.3	.00a	.0	.....	fiscal	12-85	601.7	4.0	20.4	- 15.0	.44	- 21.4	2335.4	9.8	42.9	122.3	.54	NE
Manville Cp N	3.25	- 3.88	- 54.4	7.38	2.50	8.88	2.50	136,024	56.68	8.19	592.1	NE	.00	.0	NEW	3 mos.	03-86	455.5	5.1	12.0	- 1.6	.24	- 4.0	455.5	5.1	12.0	- 1.6	.24	- 4.0
Masco Corp N	54.13	- 4.50	- 7.7	59.25	53.75	60.50	29.75	9,702	1.51	1.13	33.6	20.4	.64	1.2	NEW	3 mos.	03-86	308.0	34.5	45.1	27.0	.70	14.8	308.0	34.5	45.1	27.0	.70	14.8
Mor-Flo Inds M	16.00	- 1.63	- 9.2	17.88	16.00	19.75	14.50	203	.80	.67	19.4	9.7	.01	.1	NEW	fiscal	12-85	52.8	- .8	.5	- 72.2	.20	- 70.1	205.8	2.7	4.2	- 36.4	1.65	- 36.3
Natl Gypsum N	68.50	.00	.0	69.88	67.38	69.88	26.84	46,458	20.35	8.62	136.1	13.6	1.52	2.2	.....	fiscal	12-85	62.6	- 85.4	19.5	- 22.6	.86	- 20.4	1340.0	- 22.0	116.1	8.7	5.02	9.6
Newell Co N	31.63	.50	1.6	33.13	31.00	33.13	15.13	2,678	2.69	1.73	55.5	14.5	.70	2.2	NEW	3 mos.	03-86	94.5	18.9	4.1	28.1	.44	25.7	94.5	18.9	4.1	28.1	.44	25.7
Owens Corning N	52.25	- 2.00	- 3.7	55.00	51.50	56.75	30.75	9,821	3.30	2.86	15.4	12.3	1.40	2.7	.....	3 mos.	03-86	866.1	27.7	22.9	- 18.2	.77	- 18.9	866.1	27.7	22.9	- 18.2	.77	- 18.9
Ply-Gem A	13.88	- .63	- 4.3	14.63	13.88	15.50	9.09	3,358	4.57	2.59	76.4	19.3	.12	.9	NEW	3 mos.	03-86	50.6	24.3	2.0	81.8	.26	30.0	50.6	24.3	2.0	81.8	.26	30.0
Pope & Talbot N	18.88	- 2.13	- 10.1	21.63	18.75	24.75	16.75	1,197	2.00	1.27	57.5	29.0	.80	4.2	NEW	3 mos.	03-86	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0	74.1	- 10.8	(.5)	- 100.0	(.09)	- 100.0
Potlatch Cp N	45.00	- 1.50	- 3.2	47.63	44.50	47.63	32.25	5,230	4.03	1.21	233.1	18.2	1.56	3.5	.....	3 mos.	03-86	233.3	- .6	13.6	18.3	.95	41.8	233.3	- .6	13.6	18.3	.95	41.8
Sherwin-Wms N	28.38	- 2.38	- 7.7	31.38	27.88	32.25	16.63	8,418	1.83	.95	92.6	17.3	.50	1.8	.....	3 mos.	03-86	502.7	2.2	6.9	21.1	.15	15.4	502.7	2.2	6.9	21.1	.15	15.4
SW Forest Ind N	12.75	- 1.13	- 8.1	14.00	12.38	15.88	9.88	3,157	3.40	1.96	73.5	NE	.00	.0	.....	fiscal	12-85	169.2	- 10.9	(5.0)	- 100.0	(.42)	NE	700.1	- 9.9	(12.3)	- 100.0	(1.67)	- 100.0
Stanley Works N	44.50	- .50	- 1.1	45.88	44.25	46.25	27.63	3,980	1.43	.95	50.5	15.6	1.04	2.3	NEW	3 mos.	03-86	324.2	17.1	14.7	5.0	.53	1.9	324.2	17.1	14.7	5.0	.53	1.9
Thos Inds N	22.00	- 1.25	- 5.4	23.88	21.88	26.75	14.41	722	.81	.51	58.8	12.0	.68b	3.1	NEW	3 mos.	03-86	70.8	- 4.2	3.2	.0	.36	5.9	70.8	- 4.2	3.2	.0	.36	5.9
USG Corp N	69.75	- 4.25	- 5.7	75.00	68.00	75.00	34.00	6,947	2.14	1.58	35.4	9.9	1.92	2.8	NEW	3 mos.	03-86	622.1	5.7	51.7	21.6	1.62	26.6	622.1	5.7	51.7	21.6	1.62	26.6
Walter, Jim N	42.13	- 5.50	- 11.5	47.63	41.88	48.00	25.41	7,021	2.65	2.34	13.2	10.6	1.40	3.3	.....	6 mos.	02-86	517.0	- 1.8	18.3	22.0	.26	- 52.7	1079.1	- .5	50.0	18.8	1.42	- 7.8
Waxman Ind M	16.25	- .25	- 1.5	17.13	16.25	17.13	10.00	4,600	14.66	2.78	427.3	20.1	.08	.5	NEW	9 mos.	03-86	25.3	23.4	.7	40.0	.23	NE	70.1	14.2	1.8	5.9	.58	- 12.1
Weyerhaeuser N	36.25	- 1.75	- 4.6	38.13	36.00	40.25	24.75	23,871	1.84	1.23	49.6	26.1	1.30	3.6	NEW	3 mos.	03-86	1306.7	2.4	50.0	30.9	.31	29.2	1306.7	2.4	50.0	30.9	.31	29.2

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column
P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219